



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

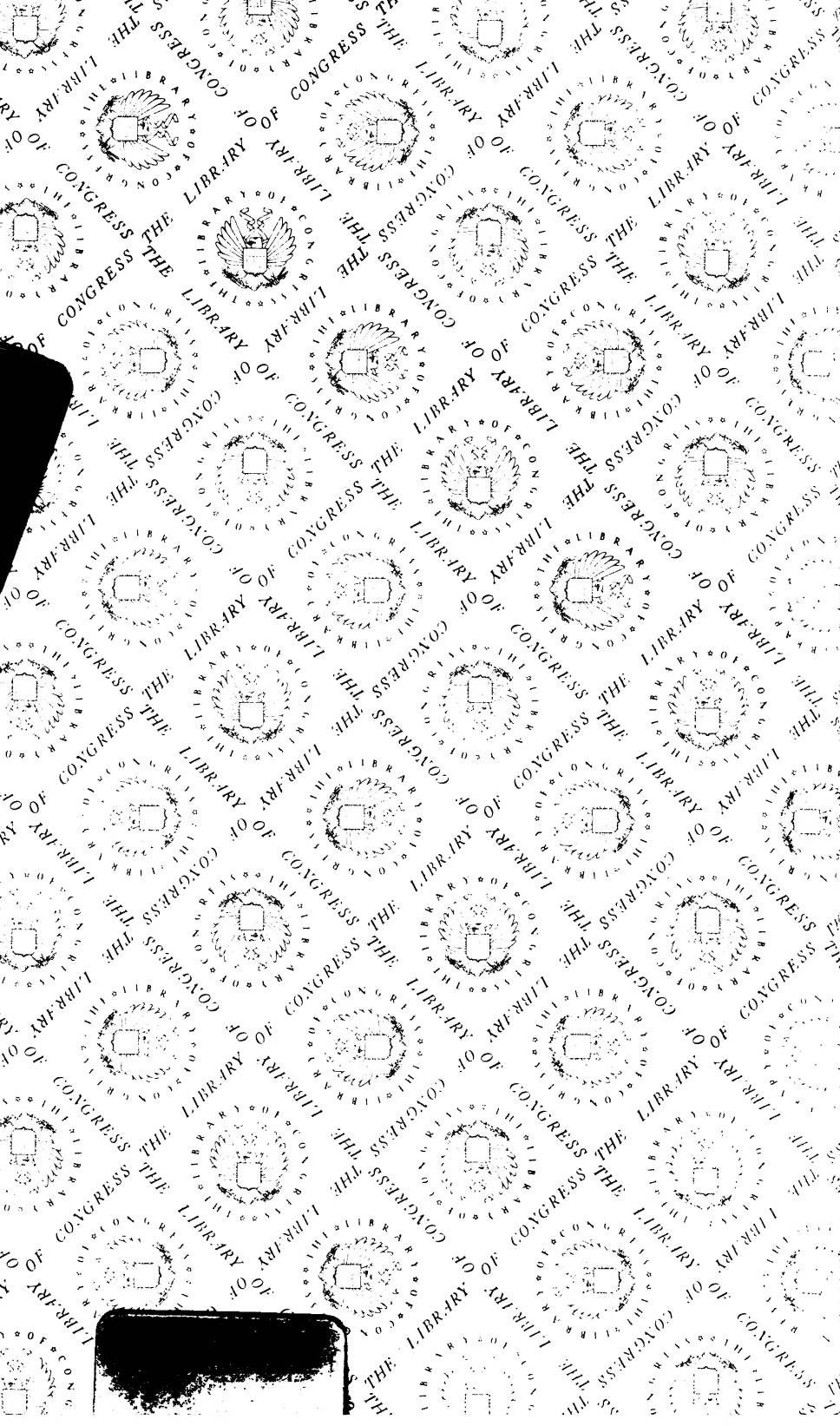
Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

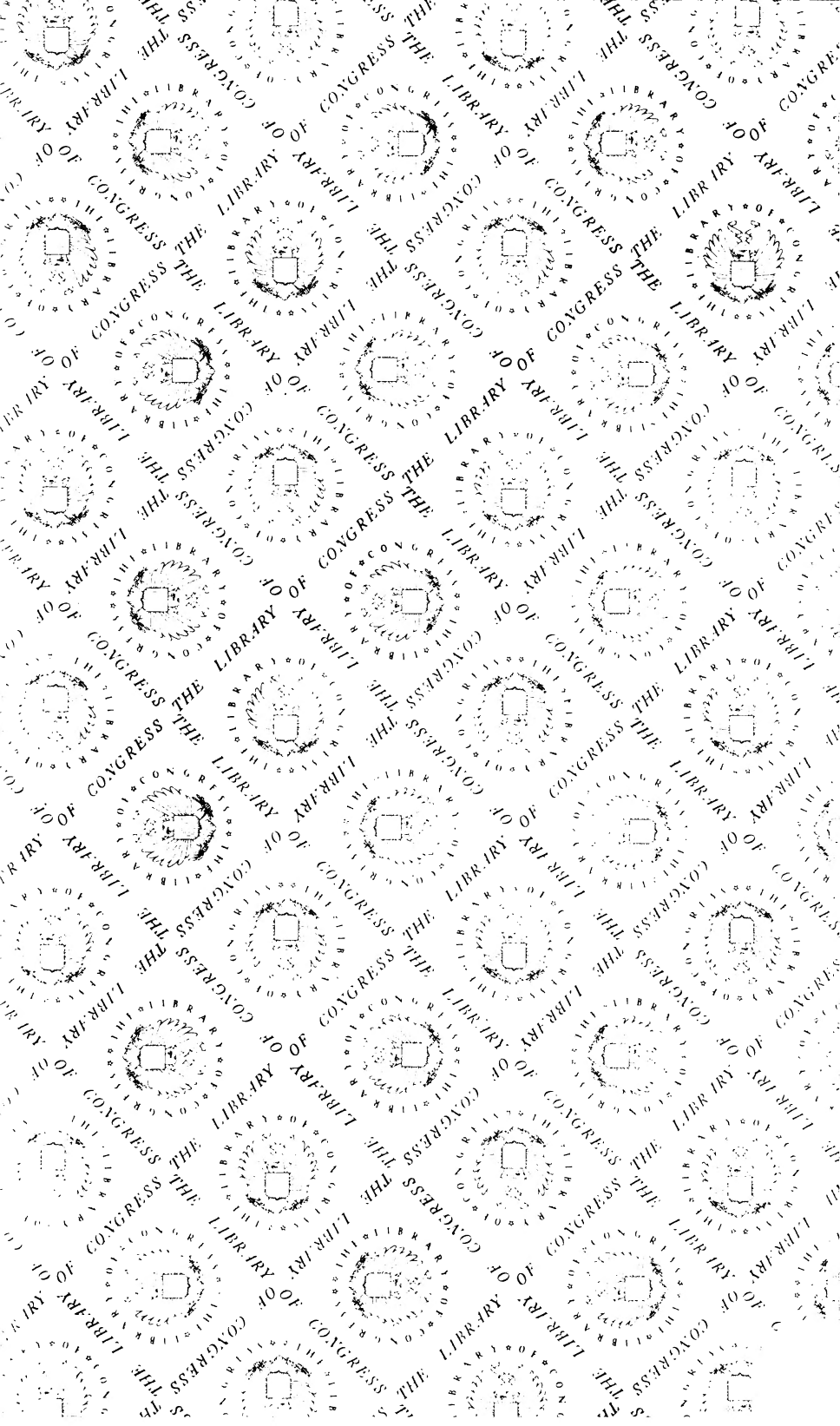
We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>





DEVELOPMENT OF THE AMERICAN MERCHANT MARINE AND
AMERICAN COMMERCE.

HEARINGS

BEFORE THE

COMMITTEE ON MERCHANT MARINE AND FISHERIES

OF THE

HOUSE OF REPRESENTATIVES

ON

SENATE BILL NO. 529—THE SHIPPING BILL OF THE
MERCHANT MARINE COMMISSION.

APRIL 4 TO 13, 1906.

WASHINGTON:
GOVERNMENT PRINTING OFFICE,
1906.



DEVELOPMENT OF THE AMERICAN MERCHANT MARINE AND
AMERICAN COMMERCE.

424

HEARINGS

BEFORE THE

U S Congress. House

COMMITTEE ON MERCHANT MARINE
AND FISHERIES

OF THE

HOUSE OF REPRESENTATIVES

ON

SENATE BILL NO. 529—THE SHIPPING BILL OF THE
MERCHANT MARINE COMMISSION.

APRIL 4 TO 13, 1906.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
1906.

MADELL INT

10000 70

MAY 13 1906
D. of D.

SENATE BILL 529—THE SHIPPING BILL OF THE MERCHANT
MARINE COMMISSION.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Wednesday, April 4, 1906.

The committee met this day at 10 o'clock a. m., Hon. Charles H. Grosvenor in the chair.

The CHAIRMAN. The committee will be in order.

This is a meeting for hearings only. The purpose of this meeting is to begin the hearings upon the subject of the so-called "ship subsidy bill," either the bill passed in the Senate or the bill pending before the House, or both. Captain Minor will take charge of the hearings as chairman, or acting chairman at all events, and the gentlemen can be heard as the members of the committee present may decide. Of course I can say there ought to be a fair and equitable division of time, but not to such an extent as would prevent one side from being heard when it is present and the other side is not present, but such an arrangement will be made as will be just and fair. We will keep up these hearings when anybody wants to be heard for at least a week from now, so that gentlemen can come and be heard and go home. No particular member of the committee need to be present. Captain Minor will now take charge of the proceedings.

Mr. GOULDEN. Mr. Chairman, the hearings are to begin at 10 o'clock in the morning, are they?

The CHAIRMAN. That is a question to be decided. I would not want to make any hard-and-fast rule.

Mr. GOULDEN. I wanted to be able to tell people at what hour the hearings began each morning.

(At this point Mr. Grosvenor vacated the chair, and Hon. Edward S. Minor assumed it.)

Mr. MINOR. Notice will be sent out each day, and we will agree in executive session as to the hour of meeting.

Mr. GOULDEN. That is perfectly satisfactory.

Mr. MINOR. Now, gentlemen, the committee is ready to proceed to these hearings. Who are here who desire to be heard for or against the bill, or both?

Capt. GEORGE F. ELLIS, of San Francisco, Cal. I would like, Mr. Chairman, to speak in favor of the bill No. 17626, introduced by Mr. Kahn.

Mr. MINOR. This is a special meeting on the shipping bill.

Mr. HUMPHREY. Mr. Kahn's bill is to amend this, or is a substitute for this.

Mr. WACHTER. The title is "To promote the national defense, to create a naval reserve, to establish American ocean mail lines," etc.

Mr. HINSHAW. It is practically upon the same subject. It is for a tonnage tax, as I understand it.

Mr. SPIGHT. It is not proposed as an amendment, but it is along the same lines.

Mr. HUMPHREY. And I suppose it would be proper here, along the line that such amendment might be adopted.

Captain ELLIS. It is the Senate bill as amended, with the exception of section 2.

Mr. WACHTER. I move that we go ahead first with the regular bill and take that up later.

Mr. JOHN MCNEIL, of Kansas City, Kans. There is a committee here from the Boiler Makers and Iron Ship Builders of America who desire to be heard in favor of the bill. At any time that it is convenient for the committee to hear them we will proceed.

Mr. MINOR. Give your name to the stenographer.

Mr. GOULDEN. I suggest that they be heard now.

Mr. MINOR. Proceed.

STATEMENT OF MR. JOHN M'NEIL, OF KANSAS CITY, KANS., LATE NATIONAL PRESIDENT OF THE BROTHERHOOD OF BOILER MAKERS AND IRON SHIP BUILDERS OF AMERICA.

Mr. MCNEIL. Mr. Chairman and gentlemen, I desire to make a few remarks in behalf of the bill as a practical mechanic and a man who has worked at iron shipbuilding all his life. I have served my time in Scotland, and have worked at the business there considerably. I came to this country over twenty years ago, and have worked at the business here, in all parts of the country and in all parts of the trade, and I was national president of the Brotherhood of Boiler Makers and Iron Ship Builders in America from March, 1897, to January, 1905. During that time I had considerable experience in traveling throughout the country amongst the shipbuilders and boiler makers of the country.

Studying conditions existing here and knowing through practical experience the conditions that exist in the old country, and comparing the one with the other, it is very plain to me why we do not build more ships in this country than they do in the foreign countries, and the simple reason why we do not build more ships here than in Scotland or England or Ireland is because we are not in a position to compete successfully against those countries. Labor is so cheap there and conditions are so poor, compared with the conditions of the American workingman and the rate of wages paid here, that unless there is some inducement given to the shipowner he will build all his ships in the foreign countries.

In the first place, in Scotland and England—they say England when they mean England or Scotland—the present rate of wages is 6 shillings a day. That is the standard rate of wages. You gentlemen know what that is. That is \$1.50. That is the price paid at the present time at the Portsmouth Navy-Yard, England. To-day in this country our mechanics in the navy-yard here average \$3.20 a day, or more than 100 per cent more than is paid in the old countries.

The same conditions will govern in the private yards of private corporations. All the shipbuilding done in the old countries and a lot of it done here is done on piecework.

Mr. GOULDEN. Will you allow me to ask you a question right there? You say the average wages is \$1.50 a day. Do you mean mechanics, workmen, laborers, and everything?

Mr. McNEIL. I think the words used by me were the standard rate, not the average.

Mr. GOULDEN. What does that include?

Mr. McNEIL. That includes all shipbuilders, skilled mechanics, riveters, fitters, calkers, boilermakers. The large majority of the work is done in piecework. That means that the riveter is given so much per hundred for driving the rivets, the fitter-up is given so much per plate, or so much per running foot for angles, and the calker is given so much per foot for calking.

Mr. WACHTER. That is here in this country?

Mr. McNEIL. No; that is in the old country I am talking about. In Scotland the highest rate of wages at the present time for piecework in driving rivets is 9 shillings per hundred for three-quarter rivets, and 10½ shillings for larger rivets. The price increases with the size of the rivets. In this country we are paying \$3.50 a hundred, whereas they are paying \$1.75. Not only that, but in England when a mechanic goes to his work, a riveter especially, he always has his work to prepare. He has got to remold his holes. He has got to build his stage. In this country all the work is prepared for him, and he has nothing to do but go ahead and drive his rivets, and he is given \$3.50 a hundred for three-quarters, and in the old country he is paid \$1.75.

Mr. SPIGHT. What is the comparative efficiency of the mechanic in America over the foreign mechanic or laborer?

Mr. McNEIL. I think if the gentleman will look up the statistics he will see that the statistics demonstrate every day that they are far ahead of us in shipbuilding. The *Dreadnought* was finished lately in nine months, and we can not finish such a vessel in three years.

Mr. HINSHAW. You mean a man making \$1.50 a day there will do more work than the man receiving \$3.50 here?

Mr. McNEIL. Yes. The work is better, and they do more, because they are better adapted to the work. They work year in and year out. Here you build one ship to-day and another two or three years afterwards, and the man has to go to work at something else in the meantime, and consequently he is not so proficient.

Mr. WACHTER. In other words, it breaks up the organization of the yard?

Mr. McNEIL. Yes; entirely.

Mr. SPIGHT. Do you mean to say that the foreign mechanic can do more work and better work than the American mechanic?

Mr. McNEIL. No; I say that he does better work in the old country, and as much work as we do here, and the only reason why I say he does better work is because of his vast experience and the long continuation of the work.

Mr. MINOR. Let me ask you right there, Is it not true that they specialize their work? The riveter is a riveter always, and the

fitter who puts on plates is the man who puts on plates always, as a rule, whereas in this country you want an all-around mechanic, one who goes from place to place and does any of this work? Is it not a fact?

Mr. McNEIL. They specialize the work in the old country too, because there is sufficient work there to keep a man busy in that particular kind of business. In this country there is not that kind of work. There are not 10 per cent of the riveters in this country to-day who are capable of doing the fitting up.

Mr. MINOR. They specialize their work because there is enough to keep each one engaged in his own particular special business?

Mr. McNEIL. Yes, sir; but here the conditions are entirely different.

Mr. SHERLEY. Do you know about the boiler making in other trades besides shipbuilding?

Mr. McNEIL. I do not know half as much about any other craft or calling as I do about shipbuilding and boiler making, because I have spent my time in that business.

Mr. SHERLEY. I ask you if you know anything about boiler making in any other trade except shipbuilding?

Mr. McNEIL. Yes, sir.

Mr. SHERLEY. Do you know anything about the rates of wages paid to American builders of boilers for locomotives?

Mr. McNEIL. Yes, sir.

Mr. SHERLEY. Can you give the committee something on that?

Mr. McNEIL. Yes, sir. To-day in this country we can compete successfully against any foreign manufacturer or builder of locomotives, and why can we do it? Simply because our men are constantly employed in that business and they have become specialists. To-day in the American Locomotive Works, in Dunkirk, Schenectady, Providence, R. I., and Montreal, a man gets very considerably more than is paid in the Cowlairs and the Caledonia Works in the city of Glasgow.

Mr. SHERLEY. Then the prohibitive wages do not obtain in regard to the making of locomotives in America as compared with England?

Mr. McNEIL. The rate of wages here is higher than it is there; higher, I say, than in England.

Mr. SHERLEY. But that does not prevent the Americans from competing in building locomotives as compared with building locomotives in England?

Mr. McNEIL. No, sir.

Mr. HINSHAW. That is because of the superior efficiency of the American locomotive maker?

Mr. McNEIL. That is because of the superior efficiency of the boiler maker in this country in having sufficient work to keep him continually employed at that work.

Mr. HINSHAW. So that the work here to-day, even though employed at a higher rate of wages, amounts to more to the employer than the work of the foreigner?

Mr. McNEIL. I suppose it does. In this country there is a class of men in regard to boiler making who do a certain class of work. In the Baldwin Locomotive Works, for example, and in the American Locomotive Works there is a class of men who never drive anything

else than staybolts from one engine to the other. There are other men that drive them by hand from one engine to the other. There is another class of men in flanging. They never do anything else. They are specialists.

Mr. SHERLEY. If I understand you, the reason that locomotives are built here at prices that are competitive with those built in England and elsewhere is because there is enough work in America to enable the manufacturer to specialize and give constant employment to his labor. Is that true?

Mr. McNEIL. That is quite a factor in the success of competing with those people.

Mr. SHERLEY. Do you think that similar employment in the building of ships would produce the same result?

Mr. McNEIL. It eventually might, to a certain extent.

Mr. SHERLEY. Is there any reason why it should not?

Mr. McNEIL. No; so long as they give them as much work there is no reason why they should not. But how are we going to have such conditions established? Never, under the present conditions. In the Brotherhood of Boiler Makers and Iron-Ship Builders in America we have to-day over 50,000 members, and there are over 600 local lodges, but that takes in boiler makers and iron-ship builders and other men, such as tank builders and men engaged on such work as that, and all water-tight and air-tight and steam-tight work, and the boiler-makers are supposed to do that work. But what we are interested in at the present time is to try to interest the shipbuilders of this country to build trans-Atlantic steamers on the coast.

Look at the conditions that prevail on the Great Lakes to-day. There is not a shipyard on the Great Lakes to-day but is full of work.

Mr. SHERLEY. Do you know what it costs to build on the Great Lakes in comparison with the cost abroad of similar ships?

Mr. McNEIL. I do not know that they are building any similar ships abroad. They built two similar ships in England—the *Alberta* and another boat—and cut them in half and brought them to the Great Lakes and put them together.

Mr. LITTLEFIELD. That is a very expensive operation, however?

Mr. McNEIL. Yes; but it is cheaper than to build them here.

Mr. SHERLEY. Do you not know in point of fact that some of the ships built on the Great Lakes are built cheaper than they could be built in England?

Mr. McNEIL. No, sir; I do not know of any such thing. I know to-day that ships building on the Great Lakes will run from \$350,000 to \$450,000. Those boats are 500 feet long, and some are 600 feet long. But those boats are not to be compared with the boats on the ocean. As a practical boiler maker and shipbuilder would know, they would compare with a dry-goods box alongside of a trans-Atlantic steamer.

Mr. LITTLEFIELD. It does not cost anything like so much to construct them?

Mr. McNEIL. No, sir. The boat may be 600 feet long, and of that length 450 feet may be dead flat. It is all parallel, the same in one place as in another. But in a trans-Atlantic steamer that is a dead raise—a dish. It is different work entirely. Those boats on the Lakes are laid out on that universal system. The boats are, 75 per

cent of them, laid out and pounded and rolled before the keel is laid.

Mr. LITTLEFIELD. That is, they are standardized—made on a standard plan?

Mr. McNEIL. Yes; the universal plan.

Mr. SHERLEY. That enables them to build them cheaply?

Mr. McNEIL. It is the construction of the ship. No man could do that with an ocean-going steamer. He could not do that.

Mr. HINSHAW. You say that along the Lakes there are many places where ships are built, and along the coast there are not?

Mr. McNEIL. Yes.

Mr. HINSHAW. What is the reason for that difference? Is it because of the smaller size of the vessels and the standardized patterns?

Mr. McNEIL. No, sir. In my opinion, the cause of the difference on the Great Lakes and the boats on the ocean is that the marine law has effect on the Great Lakes and no boat not built and sold under the American flag can trade between American ports. But such is not the case on the ocean—

Mr. MINOR. Except the coastwise trade. The trade on the Lakes is under the coastwise trade.

Mr. McNEIL. Yes. But to-day go into the port of New York or San Francisco or Philadelphia or Newport News or down to New Orleans—for a large fruit business is done there—and you will not see one American ship coming to that port carrying that trade. It is all carried by foreigners.

Why should that condition exist? We have the finest mechanics in the world.

Mr. WILSON. Are they not all busy?

Mr. McNEIL. No, sir.

Mr. WILSON. What per cent are not?

Mr. McNEIL. On the Pacific coast over 50 per cent are idle.

Mr. WILSON. Not doing anything?

Mr. McNEIL. No. They have not sufficient work to keep them employed constantly. Some of them that are there could get employment on the Great Lakes if they had the means of moving their families there, but it does not pay a man to move his family from Philadelphia or New York or San Francisco to go up there on the Lakes for six months.

Mr. SHERLEY. Has there been any lessening or lowering of the price of labor by virtue of the number of those men engaged in ship-building trades being out of employment?

Mr. McNEIL. Yes, sir.

Mr. SHERLEY. What reduction of wages?

Mr. McNEIL. On the Pacific coast at the present time and in Baltimore and in Camden and Philadelphia, and along that way, there is a large number of men idle. Gentlemen, it must be understood that it is not the man that is working that regulates the rate of wages. It is the man that is idle.

Mr. SHERLEY. I am asking you what change has been made in the wages.

Mr. McNEIL. I am trying to get to that.

Mr. MINOR. If these questions disturb the continuity of your statement, I think the members of the committee will defer asking you questions until you get through. Take your choice about that.

Mr. McNEIL. These gentlemen who are sitting here are men who are skilled, and professional men in the business. We are working-men, and we come here to give you our honest, simple statements.

Mr. MINOR. There is no desire here to disturb your argument at all. These gentlemen are asking these questions in good faith, but I have suggested that they refrain from doing that until you get through.

Mr. WACHTER. I must say that the testimony of the gentleman is very important to me, and when I ask him a question it is in good faith and for the purpose of obtaining information.

Mr. McNEIL. Gentlemen, I do not desire to make any statement at all that I can not substantiate. As I stated to you gentlemen here, the rate of wages and conditions existing on the other side make it impossible for us people here to compete successfully with them in the market. The wages over there are low, exceedingly low; they are over a hundred per cent lower over there than here in a great many cases. I will read a statement from their national secretary, Mr. Cummings. With the permission of the chairman, I will read one paragraph here to sustain what I said. Mr. Cummings says here:

The average wages of time workers are from 75 to 100 per cent higher in our trade than at home.

He is referring to the wages in America as compared with the wages on the other side. This is taken from his report. He was a member of the Moseley committee, that was here a few years ago, in 1903, it was, I think. He says:

I am inclined to the opinion that, notwithstanding the greater cost of outer clothing, housing accommodation, fuel, etc., a careful, steady man, while keeping himself sufficiently, could save more money in America than in England. Necessities are cheaper.

He says wages are 75 to 100 per cent higher here, and he lays great stress on time work. You will excuse me, gentlemen, if I remark that time work there is considered day work here. In the piecework the operations are more than 100 per cent higher. We receive a higher rate of wages, we live better, and we are the better citizens because of doing so——

Mr. MINOR. Good.

Mr. McNEIL. I hope not a gentleman here would desire to see American labor put on the same level or in the same condition as it is in England. The workingman in England lives sometimes in one apartment and sometimes in two apartments. There is no privacy at all. There is no accommodation for the workingman there. He is a workingman as long as he lives. But in this country it is different, and we want you gentlemen to keep it different, too.

You can find shipbuilders in this country who live in 8 or 10 apartments. They have light and accommodations and nice toilets and places of their own. If you lived in England for a thousand years as a workingman you would not have a place of your own. You could not buy it. We do not want conditions like that to come into this country, and I hope no gentleman here will try to enact any legislation that will bring about conditions whereby we will be compelled to work for the same rate of wages or under the same conditions as they do in England.

I have traveled on the Pacific coast and on the Atlantic coast here, clear down to Bath, Me., and all over New England, and I know of

the conditions that exist along the eastern coast and on the Pacific coast. If it were not for the United States Government 90 per cent of the shipbuilders to-day would be on the coast idle.

At Quincy, Mass., the boats building there are for Uncle Sam. Philadelphia is building for Uncle Sam. San Francisco is building for Uncle Sam, and everywhere where the men are employed, even 50 per cent of them employed to-day are employed for the Government.

Mr. SHERLEY. In that connection is the man described by the words "boiler maker," a man engaged in building boilers for other purposes than ships, competent to take up boiler making in a shipyard?

Mr. McNEIL. He is not as competent as the man who makes a specialty of marine work, because marine boilers are large and heavy pieces of material as compared with locomotive boilers. We are building boilers at Fletcher's, in Hoboken, N. J., to-day where the plates are 1½ inches, whereas in a locomotive a half-inch plate is a very large boiler; consequently the men are not so well adapted to the one as to the other. But, gentlemen, I assure you there is not a shipbuilder from the Virginia coast to Bath, Me., or from the lowermost point on the Pacific coast to Seattle—Morgan's shipyards in Seattle are working for the Government—there is not a coast shipyard that is doing any work that is not working for the Government.

Each of these men employed in those yards is highly in favor of the ship subsidy. We have tried to do our humble best to have this thing become law for the last three or four years, believing if it became a law we would be in a position to say to our members, "We will have lots of work for you here and there;" and when there is lots of work, gentlemen, for each man the workmen are in a position whereby they can better their condition. There are lots of places in the country where the conditions are not what we would like them to be, and if the men are fully employed we can place ourselves in better conditions. We go into a city where there are four or five men looking for one job, and the man who has that job must be very careful or he will lose it, and the foreman will tell him that if he does not work for such and such amount of money John Smith will work for it. When three or four men are looking for one job the tendency is for wages to come down, but if there is work for all, then they get the standard wages. This will be the condition if you will only have that law enacted.

Mr. MINOR. You are well informed as to the various yards in the United States. Can you tell the committee how many keels have been laid in all the yards of the United States for vessels to engage in the foreign trade?

Mr. McNEIL. The last statistics that I saw were in the Boiler Makers' Journal, and I understand that we have built only about 15 vessels in this country for the last year, and somewhere, I think, about 300 vessels were built in England or Scotland for shipowners in this country to operate under a foreign flag. That was in the March number of the Boiler Makers' Journal. It was a small percentage, anyway. You must understand, gentlemen, that I have been out of the office of the national president since January of 1905—a little over a year ago—and consequently I am not as well versed in the statistics as I might otherwise be. But so far as conditions exist all along the coast and in the interior and in the intermediate States of the country,

I am pretty well versed in regard to the conditions of the men and the rates of wages, and such things as that.

I spoke in the city of Baltimore before the Building Trades and Trades Association there in favor of this bill three years ago—not this bill, but the bill that was then before the House—and I have talked with the Hon. Mr. Hanna many times on the matter, and we have never found a shipbuilder yet on the coast or on the Great Lakes or anywhere else that is not highly in favor of the bill.

Mr. SHERLEY. Is your organization composed entirely of boiler makers engaged in shipbuilding, or does it include boiler makers generally—men employed in making boilers irrespective of whether they are for ships or for other purposes?

Mr. McNEIL. Our men, the members of our union, the Brotherhood of Boiler Makers and Iron-Ship Builders of America, build all kinds of ships and tanks.

Mr. SHERLEY. I do not think you quite gather the point of my question.

Mr. LITTLEFIELD. Your question was whether they are engaged in marine construction or domestic construction?

Mr. SHERLEY. I want to find out whether or not your organization is one composed exclusively of boiler makers engaged in marine construction.

Mr. McNEIL. No, sir; our men are engaged in boiler making of all kinds.

Mr. WACHTER. Do they not use all boiler makers for riveting up the hull of a vessel?

Mr. McNEIL. They are shipbuilders. They are members of the association.

Mr. WACHTER. When you say boiler makers you also include those who rivet up?

Mr. McNEIL. Yes.

Mr. SHERLEY. His answer was that they represent boiler makers, irrespective of the character of the work done.

Mr. McNEIL. Yes; boiler makers and iron-ship builders.

Mr. LITTLEFIELD. Is your organization affiliated with the American Federation of Labor?

Mr. McNEIL. Yes, sir.

Mr. LITTLEFIELD. So that they are a part of this great organization of which Mr. Gompers is the head?

Mr. McNEIL. Yes, sir.

Mr. HINSHAW. You said a while ago that the American locomotive boiler makers could compete with the foreign boiler makers. How do these American locomotive boiler makers work—by the piece or by the day?

Mr. McNEIL. By the piece.

Mr. HINSHAW. How much do they get by the piece?

Mr. McNEIL. It varies according to what part of the boiler they are on.

Mr. HINSHAW. As compared with the foreign workman? That is what I want to get at.

Mr. McNEIL. Our association limits each man's day's wages to \$5 a day. They do not allow the members to make any more than \$5 a day. But the conditions are such that sometimes they could make

\$8 a day by the piece. They are paid in the locomotive shop to-day in Dunkirk, N. Y., 30 cents an hour. That is the rate for day work.

Mr. HINSHAW. What I am getting at is what the price per piece is in America as compared with identical piecework in Scotland or England.

Mr. McNEIL. I do not think that they work by piecework there. When I was there it was all day work.

Mr. HINSHAW. Then the reason why the American locomotive boiler maker can successfully compete with his foreign brother is because he works by piecework and is able to do so much more and perhaps better work than the foreigner, and turn out so much greater product than the foreigner. Is that true?

Mr. McNEIL. We may be wrong in our opinion, but in our union we believe the reason why we can compete successfully with the foreigner in the manufacture of locomotives is because our men are constantly employed at that work, and consequently become proficient in it. Such is not the condition, however, in our shipyards.

Mr. LITTLEFIELD. The locomotive construction involves the duplication of particular parts also?

Mr. McNEIL. Yes.

Mr. LITTLEFIELD. So that a man becomes proficient on that particular piece?

Mr. McNEIL. Yes; he does that work. I served my time in John Elder & Company's shipyards, on the Clyde. While I was there there were never less than 15 or 18 large trans-Atlantic steamers on the stocks. If John Smith is a good fitter-up and he can make up a first-class engine room—fitting up the engine of the boat and putting in the stiffeners on that boat or the casing—John Smith is a good man at that; he does that on every boat, and there are sufficient boats to keep him continually employed at that. But if John Smith in this country plates a ship and put the stringers on the decks, he does that for one boat, and the next month he is probably looking for a job in the harvest field, because there is nothing to keep him going in the shipyards.

Mr. GOULDEN. Are you familiar with the wages paid in German shipyards?

Mr. McNEIL. No, sir.

Mr. GOULDEN. You do not know anything about it?

Mr. McNEIL. Not to be an authority on it.

Mr. GOULDEN. You know the rate is from 40 to 60 per cent less than in England?

Mr. McNEIL. Yes; I understand that is so. I know that the wages there are less than in Scotland. But at the same time I did not desire to occupy the time of the committee so long a while. We have men here from the Pacific coast and from the Great Lakes, a man from Chicago Heights, and we have a man from Bay City, Mich. They can state to you the conditions of the different localities. In talking with you I have been talking in a general way. We have also a man from Bath, Me., but he is not here to-day, although I would like to have him heard, because he used to work with Mr. Sewall, one of the finest employers we ever had in the country, and his place is closed down now, because he can not compete with the foreign shipbuilding.

If the gentlemen of the committee desire to ask me any questions

that I can answer, I will be very glad to answer; but I wish these other men can be given an opportunity to be heard.

Mr. MINOR. I want to ask you one question. Your organization is affiliated with the American Federation of Labor, is it not?

Mr. McNEIL. Yes, sir.

Mr. MINOR. The members of your organization of boiler makers and iron-ship builders are generally favorable to the bill under consideration, are they not?

Mr. McNEIL. Yes, sir. They are committed to it in the constitution. One of these gentlemen will show it to you when he gets on the floor. I would like to introduce to the committee Mr. P. G. Donohue, of San Francisco, one of the national vice-presidents of our brotherhood.

Mr. WACHTER. Mr. Chairman, I would suggest that the speakers alternate, one for and one against the bill.

Mr. SPIGHT. I think that is a good suggestion.

Mr. WACHTER. That is in order that we can follow the thing right along.

Mr. LITTLEFIELD. They will follow each other right along, whether or not they alternate for and against.

Mr. MINOR. Who desires to speak on the other side?

Mr. GOULDEN. Mr. Duval, representing the Merchants' Association of New York, and is here to be heard.

STATEMENT OF MR. GEORGE L. DUVAL, OF NEW YORK CITY, N. Y., CHAIRMAN OF THE COMMITTEE ON SHIP SUBSIDIES AND SHIPPING OF THE MERCHANTS' ASSOCIATION OF NEW YORK.

Mr. MINOR. Are you connected with the North German Lloyd, Mr. Duval?

Mr. DUVAL. Not at all.

Mr. HUMPHREY. Tell the gentlemen of the committee what this association is.

Mr. DUVAL. The Merchants' Association of New York is an association composed of some eleven hundred or twelve hundred firms and individuals in New York.

Mr. HUMPHREY. You said a moment ago that you did not represent Lloyd's. What foreign steamship companies do you represent?

Mr. DUVAL. None at all.

Mr. HUMPHREY. Are you not representing some firms that have export ships running to South America?

Mr. DUVAL. In our business we employ a line of steamers to carry products of this country to the west coast of South America.

Mr. HUMPHREY. Are you not connected with the West Coast Line, having direct service to Chile, Peru, and Equador?

Mr. DUVAL. Yes, sir.

Mr. HUMPHREY. You are of the firm of Wessel, Duval & Co., are you not?

Mr. DUVAL. Yes, sir.

Mr. HUMPHREY. Is that one of the foreign steamship companies you represent?

Mr. DUVAL. That is all.

Mr. HUMPHREY. Are you not connected with Oelrichs & Co., who represent the North German Lloyd?

Mr. DUVAL. No, sir.

Mr. HUMPHREY. Are you interested in any American ships?

Mr. DUVAL. No, sir.

Mr. HUMPHREY. How many vessels compose that line that runs to the west coast of South America?

Mr. DUVAL. Six steamers that make voyages out of New York to the west coast of South America and return with the products of those countries.

Mr. HUMPHREY. How many foreign steamship companies are represented in your association?

Mr. DUVAL. There is only one in the board of directors of our association who is directly connected with foreign steamship companies. That is Mr. Schwab, a partner of Oelrichs & Co., who are the representatives in this country of the North German Lloyd.

Mr. HUMPHREY. He was vice-president of your association?

Mr. DUVAL. Yes; of the Merchants' Association, for several years.

Mr. HUMPHREY. How many of your officers represent American ships?

Mr. DUVAL. I know of none.

Mr. HUMPHREY. How many of your association are American shipowners?

Mr. DUVAL. We have several members of the association—I could not recall without going over the list. It would be very difficult to do so even then.

Mr. WILSON. How many of your association own any kind of ships? Maybe they are not shipowners.

Mr. DUVAL. I am not aware of any. The interest of our association, if you will allow me, in this matter is entirely from the commercial point of view.

Mr. HUMPHREY. That might be a conclusion that we might want to consider ourselves. How many of your officers and directors in your association are interested in American ships?

Mr. WILSON. Mr. Chairman, this witness has got to have better treatment than that.

Mr. HUMPHREY. What do you mean by "better treatment?"

Mr. WILSON. Let him answer the questions as he wants to.

Mr. HUMPHREY. I would say, for the benefit of the committee, that I have been having some correspondence with this gentleman, and when he comes here to testify we have a right to know whom he represents.

Mr. DUVAL. I am delighted to answer any questions that any gentleman of the committee chooses to ask, but I would rather save you from an unjust and incorrect inference than to attempt to answer a categorical question without qualifications.

I desire to say, if you will allow me, that the attempt being made to put the Merchants' Association in an attitude of hostility to the subsidy bill is entirely incorrect and unfounded. The Merchants' Association of New York has, for the last six years, consistently and energetically favored a ship-subsidy bill. The one desire of the Merchants' Association during that time, as it is to-day, is to protect the American shipbuilding industry in the subsidy that it is proposed to grant.

Mr. HUMPHREY. Please name the ship-subsidy bill before Congress that you favor.

Mr. DUVAL. Not a single one for the last six years, because each and every one of them—if I may be permitted to explain—has had a provision in it that would divert the subsidy from American ships.

Mr. HUMPHREY. That is, in your opinion?

Mr. DUVAL. We will undertake to show it to anyone who has been sufficiently interested in the subject to read our argument.

Mr. HUMPHREY. I want to ask you this question again: What member of your association, if any, has an interest in American ships?

Mr. DUVAL. I am aware of none. I dare say there are some among the 1,100 or 1,200 members of our association, but I do not recall.

Mr. HUMPHREY. What member of the committee on subsidies has any interest in American ships?

Mr. DUVAL. None that I am aware of, nor of the board of directors.

Mr. WILSON. What is the difference?

Mr. HUMPHREY. The man is here representing foreign ships.

Mr. WILSON. He contradicts that statement.

Mr. DUVAL. Yes; I contradict that statement.

Mr. HUMPHREY. Suppose a man is a foreigner and poses as an American? What objection have you to asking him a question?

Mr. MINOR. This matter will be settled in executive session, but not here.

Mr. SHERLEY. Mr. Chairman, may I make the suggestion that this witness shall be permitted to make his statement, and that he be subjected to cross-examination afterwards?

Mr. MINOR. I want to say to some of you people who have come on to this committee recently that we have had quite an experience with this gentleman heretofore.

Mr. WILSON. Let us have a chance to form an opinion of him.

Mr. SHERLEY. The recentness of my coming on the committee will not deter me from following the rule of what is fair treatment. A rule for one man is a rule for the other, and I offer it as a suggestion that the witness be permitted to go on without interruption.

Mr. HUMPHREY. This is the first witness that ever appeared, so far as I know, that you did not have a right when he first appeared to find out what his business was and whom he represented. This is the first man that has appeared concerning whom a question of that kind is objected to.

Mr. WILSON. You found that out?

Mr. HUMPHREY. No; I did not. You "butted in" and acted as though he was your witness.

Mr. WILSON. No; I did not like the treatment he got.

Mr. MINOR. This is all out of order, gentlemen.

Mr. SHERLEY. Is it out of order for a member of the committee to make a suggestion?

Mr. MINOR. I hold it out of order that any such controversy as is going on here should take place.

Mr. SHERLEY. I have some rights as a member of the committee, and I want that settled.

Mr. MINOR. You have every right that a member of the committee has; but when you disturb a witness, or disturb a line of questions by controversy, that is out of order, and any dispute as to that should be settled in executive session.

Mr. SHERLEY. I have no desire to embarrass the committee or the chairman, but if the chairman will recall, the trouble arose over the

fact that the witness was not even permitted to answer questions in his own way. It seems to me we would get along much better if the gentleman were permitted to make his statement first, and that then a cross-examination be undertaken, as with other witnesses. All I want is that all men coming before this committee, irrespective of their attitude for or against the bill, shall receive equal treatment.

Mr. MINOR. So they all say. He is to receive the same treatment as the other man did.

I want to ask him one question. I do not think he will object to it. Are you authorized to represent the Merchants' Association of New York before this committee?

Mr. DUVAL. I am, sir.

Mr. MINOR. That fact has been disputed by an officer of your association. That is the reason why I ask the question.

Mr. DUVAL. I think that authority is beyond any question.

Mr. LITTLEFIELD. I think Mr. Sherley's suggestion is a proper one. Let Mr. Duval go on and make his statement. So far as I am concerned, I will be very glad to hear him. Let him go on and make his statement, and then, if it is agreeable to him, after he gets through, I want to ask him some questions, if they are not offensive, and we can all have an opportunity to examine him if we like, provided it is agreeable to him. Now, I move that we proceed to hear his statement, and after he gets through, give anybody an opportunity to put proper inquiries—that is, if that is agreeable all around.

Mr. MINOR. I want to say that I am occupying this place as chairman temporarily only, and it is my desire to be absolutely fair with every witness here; but having had some acquaintance with this gentleman, by correspondence and otherwise, I think it is proper to ask these questions.

Mr. DUVAL. Not otherwise than by correspondence, sir. This is my first appearance before this committee.

Mr. LITTLEFIELD. I understand that Mr. Duval does not think the questions are improper.

Mr. BIRDSALL. I would like to make an inquiry. It has been suggested by the remark of the gentleman himself, that this gentleman was before us before. I hope there is no intention to prejudice the gentleman by the remark.

Mr. MINOR. I did not know that he was ever before the committee previously, but we have met him before and had correspondence with him.

Mr. WILSON. When you say "we" you do not mean all the committee. A number of the members have met him.

Mr. MINOR. The witness will proceed.

Mr. DUVAL. If you will allow me, I have condensed what I have to say in a few written remarks, which I will read, and then I will submit arguments of counsel and answer any questions that may be asked.

[Reads:] "The Merchants' Association, of New York, has asked for this hearing in order to offer for the consideration of your committee several amendments to the pending subsidy bill which will, in the first place, safeguard the proposed subsidy for actual tonnage of the United States, thereby giving a real and permanent aid to the shipbuilding industry of the country and at the same time afford

immediately those advantages to commerce which the bill promises in providing for an improved mail service to distant countries.

"The attitude of the association on this subject has been described as one of hostility to subsidies, but for six years its committee on ship subsidies and shipping has consistently and energetically labored to procure a subsidy that will accomplish the avowed purpose of the pronounced advocates of the various bills which have been considered by recent Congresses. The misapprehension of our attitude could not have occurred if our critics had done us the honor to read our argument and our criticism of the pending bill.

"It is evident from the letters which Senator Gallinger addressed to the president of the Merchants' Association, reflecting upon the motives of our committee, that even the Merchant Marine Commission has not taken the time to read the arguments of the Merchants' Association.

"Senator Gallinger ascribes ulterior motive to this committee, because the general commercial subsidy which the bill proposes would be injurious to those engaged in foreign commerce and employing foreign tonnage, and he describes the chairman of our committee as being influenced by such consideration. As a matter of fact, the committee of the Merchants' Association has from the very outset most warmly advocated a commercial subsidy in favor of an inferior class of steamers available only for the needs of commerce, and it has never varied in its advocacy of this feature of the bill. The only criticism which the Merchants' Association makes upon the commercial subsidy proposed by the pending bill is that it does not make any distinction between sailing vessels and steamers, and this committee has prepared an amendment to cover this objection.

"In another letter from Senator Gallinger to the president of the association he states that the mail service which the bill proposes can be acquired by the construction and by the purchase of American steamers. Senator Gallinger in this statement emphasizes the very danger that the Merchants' Association has sought to guard against, viz, the diversion of the subsidy to foreign tonnage, because it is well known that American steamers purchased must of necessity be foreign steamers since there are no suitable American steamers to purchase.

"My committee has requested its counsel, Mr. J. Hampden Dougherty, to formulate the amendments which cover the objections of the Merchants' Association, and to prepare a brief thereon. The brief epitomizes the argument and attitude of the association over the six years during which this subject has been in active discussion. Mr. Dougherty has accompanied the committee and will have the honor of addressing you. We believe the reasons stated will sustain the amendments that we offer, and we are here to answer any questions that your committee may wish to ask."

That is as much as I have to say upon this section of the bill before us, but I have been informed that the bill as it stands before the Committee on Merchant Marine and Fisheries has reincorporated in the old form, or in some new form, the tonnage tax to which the Merchants' Association has found very strong objection. The association stated very clearly its reasons for the objection in a communication to Senator Gallinger of December 28, 1905, which, in its turn, we would like to speak of.

Mr. LITTLEFIELD. What are your objections?

Mr. DUVAL (reads): "In the present subsidy bill as originally recommended by the Merchant Marine Commission and considered by the United States Senate, provision was made for an increased tonnage tax with which to meet the outlay that the payment of the subsidy would incur. In a letter from this committee of December 28, 1905, to Senator Gallinger, criticising various features of the bill, it was pointed out that this tonnage tax would have mischievous results and be an embargo on the foreign commerce that it is very desirable for the country to cultivate in competition with European countries."

"Every tax put upon this commerce makes in favor of our competitors in Europe, and consequently against the producer and manufacturer in this country. The most essential element in the development of our foreign commerce is the freight rate which it incurs. By offering every attraction to tonnage to seek employment in our ports we are able to develop a competition which insures us the lowest rates of freight. It is evident that any additional charge put upon tonnage heading for our ports offers it an incentive to seek business in other directions. It certainly adds to the rate of freight which that tonnage must charge on cargo coming this way, measurably restricts the movement, and curtails the tonnage competing for our outward commerce, manifestly resulting in higher rates of freight.

"We therefore respectfully and urgently protest against the reincorporation of the tonnage tax in the subsidy bill, as prejudicial and injurious to foreign commerce, and consequently to the producers and manufacturers of the country.

"We are informed that an alternate subsidy bill is now under consideration by your committee which proposes to impose a specific tax of \$1 and \$2 per ton on all cargo imported into the United States from foreign countries which would be even more prejudicial than the tonnage tax eliminated from the Senate bill.

"In the opinion of the merchants' association a subsidy limited to tonnage of the United States, and in this way aiding the ship-building industry of the country—a necessary adjunct in the national defense—can very well be covered in the general scheme of taxation without imposing a specific burden upon the foreign commerce of the country which it is so important for our manufacturers to encourage and develop."

These amendments, and the brief that accompanies them, Mr. J. Hampden Dougherty is here to present to you at your pleasure.

Mr. HINSHAW. Why would not the tonnage tax encourage the building of American steamships to take the place of these foreign vessels that are doing the business now if the tonnage tax were put against foreign-owned and controlled vessels?

Mr. DUVAL. In other words, instead of granting a subsidy to American ships, to impose a tonnage tax?

Mr. HINSHAW. Yes.

Mr. DUVAL. I doubt if that could be done. I am not a lawyer, but, under existing treaties with foreign countries, I doubt if it could be done. I think it would be a discrimination that would result in just what I contend as an export merchant: We would have fewer ships in competition in order to get for our exports the lowest rates of freight. We have been hampered here for many years in doing

an export business by the low rates of freight from European ports, particularly from Germany. Now we are measurably reaching a parity, because of a superabundance of foreign tonnage seeking business in our ports. This tonnage comes here either in cargo or in ballast, but it is manifest that a ship has to earn so much either on the outward or homeward-bound voyage. If she comes here subject to 16 cents a ton of tonnage tax, she must get more freight. The effect is to curtail the number of ships that come to our ports, and therefore the ships that come into competition for our business. It has that inevitable effect.

Mr. MINOR. Mr. Duval, what do you think of the present tonnage-tax law?

Mr. DUVAL. That has been in operation so long it has not worked any hardship.

Mr. MINOR. You are not opposed to that?

Mr. DUVAL. No, sir.

Mr. MINOR. Will you tell me what foreign country imposes a lower rate than America?

Mr. DUVAL. I have not looked into that.

Mr. MINOR. How does our tonnage tax compare with the tax you pay when you send a ship to Chile?

Mr. DUVAL. Our ships go to many ports on the west coast of South America.

Mr. MINOR. You do not know a country where they charge a less tonnage tax than ours?

Mr. DUVAL. I think it is very much less in South America.

Mr. LITTLEFIELD. Much less in South American countries?

Mr. DUVAL. Yes; that is my impression.

Mr. LITTLEFIELD. What is your idea with reference to discriminating duties as a method of rehabilitating the merchant marine?

Mr. DUVAL. I think it would be unfortunate. I think the way to rehabilitate the merchant marine is as this bill proposes in the main, and, as far as our association is concerned, we accept willingly the recommendations of the Commission as to the great desirability of rebuilding the merchant marine and the rate of subsidy proposed. We have not gone into the latter question, but they have.

Mr. LITTLEFIELD. Who are the members of your committee on subsidy?

Mr. DUVAL. Myself, Mr. Corwine, Mr. T. H. Downing, and Mr. Henry R. Towne.

Mr. LITTLEFIELD. Do I understand that your committee, voicing the Merchants' Association of New York, which you represent, supports this bill except as to the feature that you want amended?

Mr. DUVAL. We are heartily in favor of the bill with these amendments, which we will propose and give our reasons for.

Mr. LITTLEFIELD. Those are practically the ideas you have had in connection with all the subsidy bills that have been pending?

Mr. DUVAL. Yes, sir.

Mr. LITTLEFIELD. In other words, you have consistently stood for the proposition which you now stand for?

Mr. DUVAL. Yes.

Mr. LITTLEFIELD. Is it your idea that if this bill became a law you would reach a condition where there would be a congestion of Amer-

ican tonnage, and that would have the result of lowering the rate? Is that your proposition?

Mr. DUVAL. Not at all.

Mr. LITTLEFIELD. What is the rationale of your amendment?

Mr. DUVAL. The main consideration we had in mind was that the bill proposes something that the foreign commerce of the country very much needs—that is, an improved direct mail service to distant countries—and the bill says this service shall be performed by American tonnage—tonnage of the United States—which, you know as well as I and those engaged in the shipbuilding business, does not exist now.

Mr. LITTLEFIELD. It must be created?

Mr. DUVAL. Yes; and therefore it will take some time before this service can be acquired. We say this service is of imminent need, and we say that commerce itself, with this dangling bait held before it, will reach out for it and go to great extremes in securing it immediately, even to the extreme of asking for the admission of foreign tonnage. If that is denied, the service is denied until American tonnage can be built. Now, we say, "Hold the subsidy for the American merchant marine, and in the meantime authorize the Post-Office Department to give us a service as cheaply as it can be got"—

Mr. LITTLEFIELD. And employ foreign-built vessels?

Mr. DUVAL. Under contract, not subsidy.

Mr. LITTLEFIELD. Then it comes plump down to the suggestion I made to you. We have not got any American vessels for that service, and you do not want to wait until they are built, and on account of the imminence of the need the bill ought to be so arranged that foreign-built vessels can be employed for that service?

Mr. DUVAL. Temporarily.

Mr. LITTLEFIELD. In other words, you want in substance some of the provisions of this bill extended to foreign-built ships?

Mr. DUVAL. Not at all. No provision of the bill is to attach to foreign-built ships.

Mr. LITTLEFIELD. You want the Post-Office Department to contract with foreign ships?

Mr. DUVAL. Yes; because under the terms of the bill the Post-Office Department, as we read it, has its hands tied and can do nothing to give the improved service until American ships are constructed. The sooner the ships are constructed, the better it will suit us; but in the meantime, in behalf of commerce, we say, "Why hold this pending when there are foreign ships employed now?" as Mr. Gallinger says. The mail service to foreign countries is being served by foreign tonnage, and we say, "All right; let us have a better service by foreign tonnage in the meantime or by whatever tonnage that is available."

Mr. GOULDEN. I suggest that we hear those amendments. This is continuous?

Mr. MINOR. I want to make a suggestion. I suppose Mr. Duval knows that under existing law, which this bill does not disturb at all, the Postmaster-General is authorized to contract with any ship that carries the mail. Not to grant her the subsidy, of course; but under the Universal Union postal law we can give a contract to her to carry that mail. This bill does not disturb that at all.

Mr. DUVAL. This direct service now is unworthy of the name of service. It is performed by cargo boats running to Brazil and Argentine and South Africa at the rate of $7\frac{1}{2}$ and 8 knots an hour, and inasmuch as this bill implies a limitation upon the Department—at least, implies; we do not contend it restricts the Department from continuing the present service—in acquiring a better service than exists to-day, and does not allow the Department to improve that service——

Mr. MINOR. I think that is straining it.

Mr. HUMPHREY. May I ask the gentleman a question?

Mr. DUVAL. Yes.

Mr. HUMPHREY. I have had some correspondence with you. I mention that only to call your attention to the question I am going to ask, because I read your communication in the line of what you have already read, though I have never been able to understand definitely what your objection to this section is, and I want to read it. It is on page 9 of the bill, and reads:

SEC. 5. That the Postmaster-General is hereby authorized and directed to enter into contracts, for a term not less than five nor more than ten years in duration, with citizens of the United States for the carrying of mails on steamships hereafter built and registered in the United States, or now duly registered by a citizen or citizens of the United States (including as such citizens any corporation created under the laws of the United States or any of the States thereof), between ports of the United States and ports on the routes and for the amounts prescribed in section six of this Act. All the provisions of the Act of March third, eighteen hundred and ninety-one, entitled "An Act to provide for ocean mail service between the United States and foreign ports, and to promote commerce," are hereby made applicable in all respects to the services provided for in section six of this Act: *Provided*, That the specific rates of compensation provided for in section five of said Act shall not apply to the services provided for in section six of this Act, and that all ordinary repair or overhauling of a steamship employed and paid for carrying mails under sections five and six of this Act shall be made in the United States, except in cases where dry docking is necessary and no American dry dock of sufficient capacity shall be within a distance of five hundred miles of the location of the ship when the repairs shall be needed; and that such a steamship shall not, except as provided in section six of this Act, receive any other subvention, subsidy, or bounty from the Treasury of the United States.

Now, in your talk a few moments ago, and also in your communications to me, as I understand it, you claim that that section permits this subsidy and this mail contract, the same language being used over on page 3 in regard to subsidies; that that permits foreign vessels, or vessels built abroad, to come in here and share in this subsidy. Can you explain that?

Mr. DUVAL. I have been singularly unfortunate if I have conveyed that impression in my letters.

Mr. HUMPHREY. Then, what amendment do you wish to make to section 5?

Mr. DUVAL. If you will allow me to present these amendments, I think they will explain themselves.

Mr. HUMPHREY. Then, I will leave that point, and I want to ask you some more questions, if you will allow me. There are two other points that you raise in your letter and address. I have just asked you as to the first. The next is that you object to the tonnage tax. I will ask you if it is not true that if the tonnage tax were imposed—it is not in the bill—95 per cent of that tax would not be paid by foreign vessels? I mean at present.

Mr. DUVAL. A large proportion of it would be.

Mr. HUMPHREY. Approximately 95 per cent?

Mr. DUVAL. I would not like to say the percentage.

Mr. HUMPHREY. There was a provision in that that if an American vessel carried a certain percentage of American boys, it would be rebated a certain percentage of the tonnage tax. That is the system pursued in England.

Mr. DUVAL. I am not familiar with that.

Mr. HUMPHREY. You object to that point, and the next point you object to—

Mr. DUVAL. I object to the increased tonnage tax.

Mr. HUMPHREY. The next objection you raised to this bill was that you thought American vessels engaged in foreign trade ought to be permitted to go out and employ men to operate them wherever they could get them, did you not? You thought they ought to be permitted to go to foreign markets and get labor wherever they could get it to operate these ships? You did not make that point clear here, but you did make it in your letter.

Mr. DUVAL. That is aside from the bill. My suggestion was that the navigation laws are unduly restrictive and severe upon the operation of our tonnage, very much to the disadvantage of the operation of American tonnage; and they might be modified, particularly in that respect which requires operators of our ships to employ Americans to officer their ships; that the British laws in that respect require proper certificates of the competence of those who are employed and leave the shipowners at liberty to employ whom they please. I urged this amendment in the navigation laws at this time in view of this bill particularly, because an inducement or premium is provided in this bill to encourage the employment of American officers. It seems to me it would be obliging shipowners to pay immeasurably higher wages, because of the small circle they have to select from, and then pay them again another premium for serving, which would be paying for the same service twice.

Mr. HUMPHREY. Now, as I understand, your objection to this bill is, first, that you want it left open, so that the Postmaster-General can contract with foreign vessels to carry the mails?

Mr. DUVAL. Until American vessels can be built. I will state my whole objection, not a part of it.

Mr. HUMPHREY. Then your first objection is that for a time you want it left open under certain conditions, so that the Postmaster-General can employ foreign vessels to carry the mails?

Mr. DUVAL. I will answer that; until American ships are in position and available to carry the mails.

Mr. HUMPHREY. Yes. Then your next objection is that you object to the tonnage tax, and your next objection after that is that you want it left open so that American vessels can employ the labor of Europe?

Mr. DUVAL. Mr. Humphrey is undertaking to state my objections for me, which are already in the form of a brief for presentation. They speak for themselves. If you will do us the honor to allow us to present them ourselves, through counsel, we will be glad.

Mr. HINSHAW. Wherein do you contend that this bill would cause the subsidy to be turned toward foreign vessels?

Mr. DUVAL. A condition will be created which commerce is very eager to improve and take advantage of—a promise of better mail

service, direct mail service to countries where we are doing a very large trade; and, although the mail service now, in these days of cables, is not the basis upon which commerce of large extent is conducted, yet it is an advantage to commerce to have quick communication by mail with those countries. Now, by offering that in this bill, we come to a stone wall. We have no tonnage to provide it with. That is what the Postmaster-General will say. If, then, we find there is a group of Americans who have acquired at enormous cost a very large fleet of foreign tonnage, they can apply for admission, as has been done before, and remedy that defect at once. Our amendment promises us an immediate service of great importance, in accordance with the demands of commerce, under a condition which will not be injurious to the country at all or inimical to its shipping interests.

Mr. HINSHAW. They could not get it except by building vessels in this country?

Mr. DUVAL. If they are admitted to American registry they are American ships.

Mr. HINSHAW. How can they get American registers?

Mr. DUVAL. The demand would be so strong, as it has been in other cases—

Mr. HINSHAW. All these foreign-built vessels would have to come to the American Congress before they could get American registers?

Mr. DUVAL. Yes. But without such permission by Congress we would have no mail service such as the act contemplates.

Mr. LITTLEFIELD. In the painful contingency that this bill should pass [laughter], what becomes of your contracts that the Morgan combine has made with the English Government to hold those vessels under the English flag for ten years? Some would be up against a stone wall.

Mr. DUVAL. Some are committed to that contract.

Mr. LITTLEFIELD. Substantially all are under that contract.

Mr. DUVAL. I understand the largest and most improved steamers, such as those of the White Star Line, are committed, but by the amendment already made in this bill these would not be eligible. They would not come under its provisions or seek to come under its provisions. It is the second and third grade boats, those, so-called, of 16, 14, and 12 knots speed, that would be available.

Mr. LITTLEFIELD. Yes; in case they reached a contingency that Congress could not stand up against, this might be done. But I think you are entirely right about that, so far as practical results are concerned.

Mr. GOULDEN. I now desire to present Hon. J. Hampden Dougherty, the distinguished counsel for the Merchants' Association of New York.

STATEMENT OF MR. J. HAMPDEN DOUGHERTY, OF NEW YORK CITY, N. Y., COUNSEL OF THE MERCHANTS' ASSOCIATION OF NEW YORK.

Mr. DOUGHERTY. Mr. Chairman and gentlemen, I will be as brief or as lengthy as you desire. I am very much gratified, and the association is, at having the opportunity to present our views to you, and if you will hear us patiently I think we will convince you that we are about the best of American citizens, and that we want to get

behind a bill that means a genuine subsidy, which will benefit genuine American-built ships only and these gentlemen here who represent American labor.

Now, let me say a word at the outset regarding the chairman of our committee, as one or two of your number have undertaken, very properly, of course, to interrogate the gentleman as to his personal and business affiliations. Let me say from personal knowledge, being one of the directors of the merchants' association, that Mr. Duval, who has been here before you and has explained for himself, and I believe has candidly answered the inquiries made of him, was selected for the chairmanship of our committee, not because he had some possible interests in some South American boats, but because, in the judgment of this association—and I give you a list of some of the members, the men who comprise it—he was the best qualified man in it to undertake the task of representing it upon this important subject. Consequently he stands here with the indorsement of this association behind him, and he is prepared, as I think he has shown you, to answer any inquiry propounded to him.

Now, a word as to the association and his authority. This association was composed quite a number of years ago of a number of leading business men of New York City—merchants, dry-goods merchants, jobbers of various descriptions, importers, manufacturers, and exporters—with a view to fostering the trade and commerce of that city. I know that you gentlemen have aims and ideas beyond the city of New York, but it was a very worthy purpose upon their part, and it was a purpose that collected under the banner of the association the very largest merchants of the city. If you want to read the list you will find who the gentlemen are—houses like the H. B. Claflin Company, one of the largest houses in New York. This association through its executive board, to my personal knowledge, made this selection. I am a lawyer of some standing, and I think of sufficient character to be justified before you in expecting you to believe in the truth of what I say, and I say that I know the executive board authorized Mr. Duval and his committee to come before you; because it is not Mr. George L. Duval; it is not the three or four names that are signed to this document that are before you; it is this Merchants' Association of the City of New York.

Mr. HUMPHREY. Was any formal action taken?

Mr. DOUGHERTY. Yes, sir; and I ask you, gentlemen, first to hear them. And, gentlemen, I am a believer in the old biblical notion, if we may only sit down and reason together, unless there is an absolute fundamental difference—and you will find out whether there is or not—we will all come into accord, and I think I can convince you that we are in favor of the kind of a bill that you ought to favor.

I want to say, as to this association, that we have, unfortunately, been misapprehended. That is apparent from some of the inquiries here. The impression has gone abroad that we are the opposers of the ship-subsidy bill; that we want to benefit foreign tonnage; that this is an organization of gentlemen who are anxious to see American shipbuilding decline more and more and finally disappear.

That is not our purpose. We want, gentlemen, genuinely to build up American shipbuilding in this country, and consequently we have opposed—and we say it plainly—we have opposed every bill that has been before Congress on this subject for several years—the bill before

the Fifty-sixth Congress, and the one before the Fifty-seventh, and the one before the Fifty-eighth Congress. Why? Because we tried, and we succeeded, in convincing some of the distinguished gentlemen of both Houses—Senator Frye, for example—in one or two instances, that the bill, as drawn, put the subsidy right into the hands of the foreign shipbuilders; and how in the name of heaven a subsidy that is given to the foreign shipbuilder is going to benefit American shipbuilding—I yield it to some gentleman who is able to explain it. It is beyond my power to understand how that can be accomplished.

Consequently, gentlemen, we have stood like adamant against any such proposition, and we will stand so, as I wish to inform you now most candidly, against any proposition that will permit one dollar of the proposed subsidy to be diverted into the pockets of any foreign shipowner, no matter whether the owner is an American citizen or not, because we say, and we lay it down as a fundamental proposition, that you can not build up a genuine American mercantile marine, constructed in the shipyards of this country, if there is any loophole possible whereby the money that Congress is apparently devoting to that purpose shall somehow slip out and get into the pockets of people who own foreign ships.

And we say further that if there is a possibility of that result in any bill before Congress it is an injustice to the people of the United States; it is a wrong to the American capitalist who is asked to invest his capital in a shipyard; it is a wrong to the American laborer who expects to go into that American shipyard and earn his living; it is a wrong to them if the bill leaves it possible for one dollar ever to escape from the one aim to which we suppose Congress intends to devote every penny of this money.

Now, then, in taking that position we are the most genuine kind of American citizens. I say to you, gentlemen, that if you will put into this bill the amendments that we ask, and we are ready to advocate them in any forum, we are behind you, and we will do our level best to help your bill through Congress and before the bar of public opinion, because we want to see the American shipping interests once more dominant in the world. We want to find the American flag flying everywhere, and in every port, but we do not wish to render more valuable foreign-built ships, which, in some way or other, will seek to get the benefit of this money, when the only ships that should get it are the ships produced here at home.

But, gentlemen say, "Why, you are pursuing some sort of a will-o'-the-wisp, you have what the alienists call 'an obsession.' You have some notion that this money under this bill is going to be diverted to the foreign shipowner, the owner of foreign tonnage, when there is not such a possibility under its terms."

Now let us see, gentlemen, whether we are not justified in our apprehensions before I put before you our fundamental amendment, and then I will ask you whether, if we be right or wrong, any harm can come to this measure if you put these terms into it. See whether we are justified or not.

Gentlemen have alluded to the bills that have been before Congress heretofore, particularly the Hanna-Payne bill. One of the first—and I think Congressman Littlefield will bear me out that I am not mistaken in my statement—directly proposed to benefit the owners of foreign tonnage. We opposed that, and, as I say, we shall do that

to every such bill that Congress prepares, and we opposed it successfully. Another bill was presented to Congress which contained expressions that we criticised, and Senator Frye himself accepted an amendment that we proposed as to that, all our action and purpose being uniform, or, as some gentleman here a while ago said to Mr. Duval, consistent. Our purpose was consistent to see to it, in a sense, as the custodian of the American shipbuilders' interests, that all of the subsidy should go to the American shipbuilder.

Now, come to the present bill, and you may say, "What danger is there in this bill?" Mr. Duval has pointed out one kind of danger in the creation of a demand on the part of the commercial public, the commercial interests, for the immediate service of ships to supply the needs of commerce. I wish to point out some others. I have read this bill attentively.

It seems to me there is language in this bill—and I do not want to be a captious critic of expressions—which leaves it possible for some of these owners of foreign tonnage to say, "Why, we supposed we were also to get some of the benefits of this subsidy," and then, when the situation is created that Mr. Duval depicts, when you have a demand for the carrying of mails and there are no American-built boats yet to carry them, Congress will be urged to open the doors to let these people in. Let me ask you, gentlemen, why this proposed statute reads this way?

Mr. LITTLEFIELD. If Congress did not happen to open the door this danger, more or less, would vanish?

Mr. DOUGHERTY. I know, sir; but at the same time I want to see the door closed, and I want Congress to agree with us about closing it.

Mr. HUMPHREY. Who would urge that it should be opened to admit foreign ships? American shipyards and owners, or foreign?

Mr. DOUGHERTY. The owner of foreign-built tonnage who is an American citizen. For example, a shipping trust with a million or so tons of tonnage would be ready, perhaps, to take advantage of the situation.

Mr. HUMPHREY. Under contract to Great Britain, most of them.

Mr. DOUGHERTY. Will you not let me present my view first? Then, if I am wrong, you can correct me. I hope you will agree with us that we are acting in the interest of the genuine American.

Here is this bill. How does it read? In two places you describe the subvention. In the first place, under section 3, the language is general, and it is not necessary to refer to it. Under section 5 you refer again to the subsidy or subvention. It is to be given the vessel or vessels "hereafter built and registered in the United States, or now duly registered," which, of course, applies to foreign-built ships heretofore admitted to American registry. Now, I have asked a number of lawyers—

Mr. LITTLEFIELD. Where is that in the bill?

Mr. DOUGHERTY. Section 5 of the bill, "or now duly registered," and also in section 2, at the foot of page 3, in reference to the subvention. There and in section 5, page 9, it reads, "or now duly registered by a citizen or citizens of the United States (including as such citizens any corporation created under the laws of the United States or any of the States thereof)," etc.

Now, I say this as to that language, that is doubtful—if you will pardon me for saying so. I know you gentlemen are not the drafts-

men of the bill altogether, and I know, furthermore, that the bill now before you is not the precise bill that was introduced in the Senate of the United States some weeks ago. Everyone who has followed the debate in the Senate of the United States knows that there are provisions in that bill now that were not in it before. There are provisions in the last section that save Congress from the obligation to continue this thing eternally. There is another thing in it that was not in it before, and consequently it is not the same bill. And the bill may still be subject to fair criticism.

Mr. HINSHAW. Your criticism here is directed to the Senate bill?

Mr. DOUGHERTY. Yes; to the present bill. It says, in section 5: "Steamships hereafter built and registered in the United States," and I have asked several gentlemen of standing at the bar in New York about that, and you gentlemen here may be interested to know the answers of the majority of them. The majority said this: "That means vessels hereafter built anywhere and registered in the United States." But I say that is not what Congress intends. If so, why not say: "Vessels built in the United States and registered therein?" If there is any possible door open looking to the future and the interest of the American shipbuilder you should shut it.

I have had some considerable experience in the interpretation of statutes, and I do not recall a statute enacted by Congress or by the State of New York that has the word "now" in it. I remember that the Constitution of the United States in barring foreign subjects from the Presidency said that no person should be eligible to the Presidency except a natural-born citizen or a person who at the time of the adoption of the Constitution was a citizen of the United States. The Constitution does not use "now." What does "now" mean? It may be to-day, when we are talking; it may be to-morrow, when the bill is enacted into law; it may be five years hence, when some owner of a foreign-built vessel says to the proper authorities of the Government of the United States: "Why, I do not know but that I am entitled to the benefits of this subsidy."

Mr. LITTLEFIELD. What do you think "now" means yourself, Brother Dougherty?

Mr. DOUGHERTY. I can not answer. What is your idea?

Mr. LITTLEFIELD. I have not the slightest doubt but that it means when the bill becomes law.

Mr. DOUGHERTY. Is it not due to the people of the United States, who are asked to put their money into these ships, that there should be no possibility of doubt left open?

Mr. LITTLEFIELD. If the committee will follow me and shut down on these vessels that come here for American registry, there will be no question about it. It will make it dead.

Mr. DOUGHERTY. Let me show you if there is any objection. I will submit this memorandum and tell you how we propose to deal with that. Allow me to read the amendment.

Mr. LITTLEFIELD. That is what you suggest for this?

Mr. DOUGHERTY. Yes; this is offered in good faith. This can not be offered in the interest of those who build foreign ships, Mr. Humphrey.

Mr. HUMPHREY. At the same time, no man who is going to build ships is here to make these objections. We have had men here before us for two years who said they were ready to build ships.

Mr. DOUGHERTY. What does this association mean with regard to this point? You will see, if you will look at page 27 of our pamphlet. We have set forth, first, our argument, and then your bill with our amendments. That shows our sympathy with the general purpose of this legislation. What do we say? We, as good American citizens, say:

SEC. 11. The intention of this act being, among other things, the promotion and encouragement of the shipbuilding industry in the United States, it is expressly provided that no foreign tonnage that may hereafter be admitted to registry in the United States shall become entitled to or receive any subvention, subsidy, bounty, or other advantage provided by this act.

What is the objection, gentlemen—even assuming some of us are unnecessarily doubtful of the meaning—what is the objection to embodying an amendment of that description in the law? Then it would become evident that you have made a proposal to the American capitalist which he can understand and that Congress means to keep in good faith. There is no loophole left open. I fail to see why that amendment should not be adopted.

Mr. LITTLEFIELD. In order to make that uniform in its operation you should add, “or engaged in the coastwise business.” That is what I have been trying to do in connection with these registers.

Mr. DOUGHERTY. No; this bill does not relate to that subject. You are not proposing subsidy, as I understand it, to vessels engaged in the coastwise trade.

Mr. LITTLEFIELD. No; but we are going to protect the foreign-going fleet from the foreign-built ships, and it would be wise, perhaps, at the same time to protect the coastwise trade also.

Mr. DOUGHERTY. Here you are proposing to give away the money of the United States, and our contention is that if you are going to do it you should shut the door absolutely on the foreign shipowner.

Let me read from page 5 of this pamphlet, so that you may understand our position absolutely. If you will consider what I have said as preliminary, you will get our point of view. What I want is, as representing this association, to efface all possible misconception of our attitude from your minds. Now, what I have stated on page 5, to recapitulate our attitude, is this:

The admission to United States registry of foreign-built tonnage can not give the slightest possible impetus to the American shipbuilding industry; it would tend in the contrary direction. The primary and exclusive purpose of any true shipping subsidy legislation is to stimulate the building of American ships in American shipyards.

The merchants' association proposes that every dollar of the subventions to be granted by Congress shall be devoted to the creation of a genuine American mercantile marine, the product of our own shipyards, through the investment of American capital and the employment of American labor. It does not intend that the slightest fraction of the proposed subsidy shall be diverted to any other purpose. It shall be through no fault or lack of warning on the part of the association if the benefits to American shipbuilding, of which it is a staunch advocate, shall be sacrificed in whole or in part to favor a class of foreign vessels. Such a result would infallibly defeat the purpose of genuine subsidy legislation.

Now, we say, even if some gentlemen think, as I said a while ago, that we are the subjects of “an obsession,” if they think that this bill, as it is drawn, after all is not amenable to our criticism; so long as we think it is—and there is a respectable minority of intel-

ligent gentlemen believing so, also—there is no reason that any doubt should remain when you come to enact this bill into law.

Mr. WATSON. I have no desire to interrupt you, but you have been indulging in a great many generalities. If you will state what specific objections you have to this bill and point out those specific things, and propose the remedy, that is what we want.

Mr. LITTLEFIELD. This is just preliminary.

Mr. WATSON. Yes; but we want to get down to the meat. There is too big a portico for such a small house.

Mr. DOUGHERTY. My objection is that this bill makes it possible for foreign tonnage, as the bill is drawn—if it can get admission to American register on one pretext and another—to come in and claim a portion of these benefits, which we think Congress does not intend.

Mr. WATSON. Under the language on page 3? That is what you cited.

Mr. DOUGHERTY. Yes; and under that condition, which Mr. Duval has so very well depicted, of the demand on the part of the commercial interests of the United States for the immediate establishment of mail routes. If you really mean, as I believe you do, to benefit the American shipowner, what objection is there to putting into this bill the very clause that I ask?

I do not know, Mr. Congressman, whether you are an attorney or not; but everybody knows that in negotiations of importance, where there is a possibility of difference between two sides, and the breach can be entirely stopped by a clause that meets the case, negotiations are brought to a successful issue by the acceptance of that clause. While we are not in that position, of course, before Congress, yet if there is doubt here, why not, anyway, remove all possibility of doubt by the incorporation of this clause? Is it not due to the American shipbuilder?

Mr. HUMPHREY. With that clause inserted, will your association support this bill?

Mr. DOUGHERTY. With the clauses in regard to the mail routes, I say, yes, sir; we will commend and urge this bill as far as we can.

We are in favor of it. This is our fundamental point. We do wish to lay stress on the others, too, but that is our fundamental claim, that that provision should go in, and I think the others should go in also.

Now, gentlemen, let me briefly call your attention seriatim to our claims.

Mr. WATSON. Is it the desire of the committee to proceed now with this hearing without recess? The post-office bill comes up in the House this morning.

Mr. LITTLEFIELD. That is for general debate.

Mr. WATSON. Yes; general debate for four days.

Mr. LITTLEFIELD. Then it is just as important for us to be here and thrash this out.

Mr. SHERLEY. Personally, I would like to be away for an hour or two.

Mr. LITTLEFIELD. You may have reasons that the rest of us have not got, that may be of a nature that is perfectly compelling. There are a number of people here that want to be heard. Brother Dougherty has not yet elaborated the real proposition that he relies upon.

Mr. HINSHAW. I think he has, and very effectively, too.

Mr. LITTLEFIELD. I supposed they were more substantial than that.

Mr. WATSON. I was going to suggest that we take a recess now for a while and resume this afternoon.

Mr. WILSON. I would like to hear the debate on the post-office bill when it starts off. I would like to hear Mr. Overstreet present the bill.

Mr. WATSON. Mr. Chairman, I move that the committee rise and take a recess until 2 o'clock this afternoon.

Mr. WILSON. I second the motion.

(The motion was put and carried; whereupon, at 12 o'clock noon, a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

Mr. MINOR. You may proceed.

Mr. DOUGHERTY. You have the memorandum with the amendments before you. If you will kindly turn to page 17, I will explain the amendments briefly. What we have done is to italicize our proposed amendment in each instance right in the body of the bill, so that it may be clearly appreciated by each member of the committee. The first amendment makes a change of this description: It proposes, where you have allowed the same subsidy to steam and sail on the different scales, to make the subsidy different for steam vessels than what it is for sailing vessels. We make it in the first class \$5 per registered ton for steam, just as the bill does, and for sail \$3.

In the second class—the class where you gave \$4, I think, for steam—we make it \$4 for steam and \$2.50 for sail; and in the third class, where the bill provides, I think, \$2.50 for steam and sail, we reduce it, for sail, to \$1.50. Now, the reasons for that amendment are very fully given on page 7, the idea being, as is there stated at the foot of the page, the theory underlying the subvention designed in section 2 is that the cost of construction and the cost of operation of American vessels is about 25 per cent greater than the cost of construction and of operation of foreign vessels. The association assumes that the figures mentioned in the section are, in the opinion of the Merchant Marine Commission, just and adequate in the case of steam vessels. But inasmuch as it costs less to build a sailing vessel than a steam vessel, and as the cost of operation of a sailing vessel is much less than that of a steam vessel, justice to steam vessels requires that the proposed subvention should be larger for them than for sailing vessels; and therefore our amendment scales down the proposed subventions in the case of sailing vessels, in order that steam construction shall not be put at a disadvantage with the construction of sailing ships.

Mr. SPIGHT. I notice that you state that the cost of construction and operation of American vessels is about 25 per cent greater than the cost and operation of foreign vessels. How much of that 25 per cent goes to the cost of operation?

Mr. DOUGHERTY. Probably Mr. Duval, as an expert ship man, can tell you.

Mr. DUVAL. It is generally assumed that it costs 25 per cent more to operate an American vessel than a foreign vessel, and it costs about 25 per cent more to construct an American vessel than a foreign vessel.

Mr. MINOR. Let me ask you a question right there: "The association assumes that the figures mentioned in the section are, in the opinion of the Merchant Marine Commission, just and adequate in case of steam vessels. But inasmuch as it costs less to build a sailing vessel than a steam vessel, and as the cost of operation of a sailing vessel is much less than that of a steam vessel, justice to steam vessels requires that the proposed subvention should be larger for them than for sailing vessels." Now, when vessels are laid up for repairs, whether they be steam or sail, the number of officers and the number of the members of the crew are about the same. In other words, they discharge everybody except the licensed officers. What difference does it make about the cost of construction when the vessel is laid up for repairs, be she steam or sail? That is the point.

Mr. DUVAL. The assumption of the bill is not that the vessel will be laid up for repairs, but in operation. But I do not think it requires any argument to show the additional cost of the construction of steamers, their machinery, and the cost of running the steamers.

Mr. MINOR. But while she is laid up for repairs?

Mr. DUVAL. The cost is always the same whether the vessel is laid up or is in operation; the loss of interest, the loss of increment is the same whether she is laid up or going. We have not gone on the assumption that the vessels would be laid up, but in operation to earn the subsidy, to do some service for the subsidy, to operate between United States ports and foreign ports.

Mr. LITTLEFIELD. Is it your point that the steam vessel is at a disadvantage in competition with the sailing vessel?

Mr. DUVAL. If the same subsidy is given to a sailing vessel as to a steamer there is an injustice to a steamer.

Mr. LITTLEFIELD. Do you think that is material enough to furnish any ground for substantial criticism of this bill?

Mr. DUVAL. Mr. Chairman, upon that point we have no authority here to vary from the conclusions of the Merchants' Association, but as a matter of fact, since whether that \$5 is paid to steamers and sailers alike it can only go to American ships, I should not personally let that amendment stand in the way.

Mr. LITTLEFIELD. In other words, that does not impress you as a very material proposition?

Mr. DUVAL. No, sir. I wanted to point out what is a manifest injustice to the steamer, that it would encourage rather the construction of sailing vessels than steamers.

Mr. LITTLEFIELD. We all know that the steamers have been practically driving the sailing vessels off the ocean.

Mr. DUVAL. Yes, sir.

Mr. LITTLEFIELD. That has been the general result. All of those things combine in a great many details of the business, and the steam vessel has the advantage and the sail vessel is at a disadvantage. Every time a canal is built it is an advantage to the steam vessel and a disadvantage to the sail vessel. The Suez Canal operated exactly in that way, and every development of modern times in the last ten or fifteen years has made for the benefit of the steamer and against the sailing vessel. I think that is absolutely true.

Mr. DUVAL. That is the progression from the sailing vessel. We can never go back to sailers. If we attempt to do the foreign trade with this country, which is growing very rapidly, by sailers, or make

any provision or effort to assist sailers to do it, we are going backward.

Mr. LITTLEFIELD. One of the essential principles upon which this bill is based is the creation of a personnel for use in the Navy?

Mr. DUVAL. Yes sir.

Mr. LITTLEFIELD. Now, the sail vessel is worth twice or three times as much as the ordinary steam vessel. It provides better seamen, so the sail vessel is entitled to more encouragement, because it serves one of the fundamental purposes of this bill?

Mr. DUVAL. The sail vessel would serve as a training ship.

Mr. MINOR. Your association assumes that the cost of a steamer is very much more than the cost of a sailing vessel. Take the *Thomas Lawson* or the *Dirigo* or some of those vessels built for the foreign trade, do you know how the cost compares?

Mr. DUVAL. I have not the figures. I think Mr. Littlefield will bear me out that the steamer, with all the machinery it involves—

Mr. MINOR (interrupting). I grant that, if she is the same tonnage. If you have a large steamboat and a sail vessel and she is built of steel, of modern construction, how much less does she cost than some of these tramps?

Mr. DUVAL. The whole subsidy is predicated on the tonnage, and if the sailing vessel is larger she gets a larger subsidy per ton.

Mr. LITTLEFIELD. Every part of a sail vessel is devoted to carrying capacity. When you get a steamer, of course you have the engine space, the coal space, and the machinery space that have to be taken out, but she is allowed for it, and still she gets an advantage?

Mr. DUVAL. True; it is not gross registered tonnage. It does not mean the capacity of a sailer or a steamer, but you are quite right in the principle. There is a lot of room taken out of the steamer, and the sail vessel has a very much larger cargo-carrying capacity than the steamer.

Mr. LITTLEFIELD. Per ton?

Mr. DUVAL. Yes, sir; per gross registered ton.

Mr. DOUGHERTY. The second amendment is at the foot of page 18, put right into the bill, and what we say is this:

The additional subvention provided in this section—

That is the 30 per cent—

The additional subvention provided in this section to be paid to vessels employed in trade between the United States and the Philippines or in trading between ports and places in the Philippine Archipelago shall be conditioned upon the enrollment of such tonnage regularly trading between ports and places in the Philippine Archipelago and home ports in the United States or regularly trading between ports and places in the Philippine Archipelago and other ports and places in the Philippines; and in order to entitle themselves to such subvention, the owners of such tonnage shall establish to the satisfaction of the Secretary of Commerce and Labor that upon every voyage made outward and homeward at least 50 per cent of the entire capacity of the vessel or vessels so enrolled shall actually have been employed in the transportation of merchandise or products between ports and places in the Philippine Archipelago and home ports in the United States or between ports and places in the Philippine Archipelago and other ports and places in the Philippine Islands.

If you turn back to page 8, we state the reasons why we have put that amendment in.

In the provisions made in section 2 of the bill for an additional subsidy to tonnage engaged in the Philippine commerce, an amend-

ment is necessary to safeguard the purpose intended and to prevent evasion. Under the terms of the present bill large steamers trading between our Pacific ports and the Orient may, by calling at the Philippine Islands with an insignificant quota of cargo on each voyage, secure an additional subsidy of \$1.50 per ton on the entire gross tonnage of the steamer. A steamer of 10,000 tons gross register, for instance, with 100 tons or less of cargo for Philippine ports on each voyage, would become entitled to an additional subsidy of \$15,000 per annum, which is manifestly opposed to the intention of the bill.

Mr. LITTLEFIELD. I would like to ask you whether you have ever considered that question from a legal standpoint, as to competency of basing the subsidy upon the cargo carried, which is practically this proposition here—that is, whether or not that is not a bounty upon exports, and if it is a bounty upon exports, how can we do it under the Constitution?

Mr. DOUGHERTY. It is not put as a bounty on the exports. It simply provides that in order to obtain the subvention that is given to the steamer she shall carry a certain percentage—

Mr. LITTLEFIELD (interrupting). Have you ever examined that question?

Mr. DOUGHERTY. I have not considered that particular question, although I can not quite see how that would offend the constitutional provision. Of course I recognize that you may have given more reflection to that matter than I have.

Mr. LITTLEFIELD. In the Fairbanks case the court held that a tax upon the bill of lading was a burden upon commerce.

Mr. DOUGHERTY. There the tax was on the bill of lading. We do not lay a tax on the cargo, nor do we grant a subsidy to the cargo.

Mr. LITTLEFIELD. But in that case the court held that a tax on the bill of lading was a tax on commerce, notwithstanding the State did not undertake to apply it to the commerce.

Mr. DOUGHERTY. It strikes me that the distinction is as obvious as that which the Supreme Court has made in the case of some of the taxes which are now imposed by a State in the nature of a legacy tax. While of course it would be impossible for a State to tax United States bonds, which are exempt because issued by the higher authority of the Congress of the United States, it may nevertheless estimate the amount of a man's estate subject to legacy tax upon the number of bonds which he owns. There the tax is not laid upon the bonds, but is laid upon the right of receiving a legacy to property consisting of United States bonds, and it strikes me that the distinction which is made there would be valid here. The tax is not laid upon the cargo. I am very willing to admit that you have raised a question that is quite interesting.

Mr. HUMPHREY. If I understand the facts, a vessel running from San Francisco or Puget Sound and going to Manila does not carry 50 per cent of the capacity of the ship going—that is, going to Manila. Under the provisions of this bill as you have it, if I understand the situation in that country, and I think I do, you would absolutely prohibit American vessels from engaging in that trade, because there is not a cargo going to fill half the capacity of the ship, and so the result would be to turn the freight over to foreign vessels. Neither do I think American vessels could afford to go down to

Hongkong for this subsidy. That would take at least two days, and it would take some of them a week to go down there and come out.

Mr. DOUGHERTY. You must bear in mind that this amendment is only proposed to the additional 30 per cent, \$1.50 over the \$5. The vessels, whatever they carry, would still get the \$5 per ton. This is only as to the additional \$1.50.

Mr. HUMPHREY. A vessel could not go down there, 600 miles and back, unless they got a considerable cargo, for the reason that wages paid on one of these vessels are so high, not including the coal and other expenses, that for this \$15,000 additional that you speak of they could not afford to run down there unless they got a considerable cargo. In other words, I think your objection is hardly well founded. I do not think they could do it. It would not pay them to do it.

Mr. DOUGHERTY. They would still get the \$5 a ton, although they would not get the \$6.50. Mr. Duval has called your attention to the provision in regard to mail routes, and I will simply read it. I think it has been sufficiently explained. The bill, on page 22, in section 5, authorizes and directs the Postmaster-General to establish certain mail routes and to pay a specific amount of subsidy. Now, I may say at the outset that we are not attempting the diversion of \$1 of the subsidy, but simply to meet the situation which is immediately ahead of us in the demands of commerce for the establishment of some of the mail service before the new American boats can be built in our ship yards:

That until it shall become practicable for the Postmaster-General to establish in the manner prescribed by this section the ocean mail service on the routes prescribed in section 6 of this act, he is hereby authorized and directed to enter into contracts for periods not less than three nor more than five years for the carrying of mails upon any of the routes enumerated in section 6 of this act, with any suitable tonnage that may be available for the purpose, such contracts to be made, in the manner hereinafter prescribed, with the lowest responsible bidder for the performance of the said service on any of said routes. And all the provisions of the act of March 3, 1891, entitled "An act to provide for ocean mail service between the United States and foreign ports and to promote commerce," so far as the same are applicable, except the provisions thereof requiring the vessels employed in the mail service to be American-built steamships, are hereby made applicable in all respects to the provisional mail contracts herein provided for.

The lowest bid by vessel or vessels built in the United States, or before the date of the passage of this act duly registered in the United States, to furnish the required service shall be accepted, if the price per year shall not exceed the amount of the yearly subvention herein provided for service upon the same route; but in the event that no bid that can be accepted by the Postmaster-General under the provisions of this act shall be made by vessel or vessels built in the United States or by those which, before the passage of this act, were duly registered in the United States, the lowest bidder shall be awarded the contract, provided, in the case of a bid made on behalf of foreign tonnage, the amount of such bid shall not exceed one-half of the annual subvention prescribed by this act for service over the same route; and the terms of this clause and the speed requirements prescribed in section 6 of this act shall form part of the published advertisement for bids.

Mr. LITTLEFIELD. Inasmuch as the language of this bill, as it comes from the Senate, on page 3 is indefinite when it provides for gross tons hereafter built and registered in the United States, and you think it ought to be more specific by providing hereafter built in the United States and registered therein, I would like to know why you do not say in your amendment lowest bid by vessel or vessels built in the United States and registered therein?

Mr. DOUGHERTY. I was going to say that perhaps I should make that change in this amendment. The reason why it was omitted originally was because I had not discussed the subject so fully as I have since.

Mr. LITTLEFIELD. Whether or not this amendment of yours is properly characteristic of this situation, I understand that you have stated quite frequently that you do not propose to have a single dollar of this subsidy diverted to any foreign-built ship?

Mr. DOUGHERTY. Yes, sir.

Mr. LITTLEFIELD. But this amendment proposes to temporarily divert it?

Mr. DOUGHERTY. No, sir.

Mr. LITTLEFIELD. It authorizes the Postmaster-General to contract with foreign ships?

Mr. DOUGHERTY. But the foreign ships are not to be paid out of the subsidy. The contracts are to be made in the usual way, by competitive bids, just as under the act of 1891.

Mr. HUMPHREY. You propose by this amendment to make it so the foreign ships can carry the mail and be paid?

Mr. DOUGHERTY. To be paid in the short or longer interval, four or five years, which will elapse before the American-built tonnage is serviceable, but you will observe that we propose to pay the full amount, up to an amount which would be the equivalent of the subsidy—not out of the subsidy, but an equivalent to the amount of the subsidy—to the American-built ships. That is, the Postmaster-General may let a contract, where the amount of the contract would be as large as the subsidy, to an American-built ship, but in the case of a foreign ship he can not let a contract where the amount of the contract would be more than half of the amount of the subsidy. Therefore we are looking out in the interval for the American-built ship. All we are trying to do is to provide some medium for commerce in the interval which must exist before the new American ships are built. That is all.

Mr. HUMPHREY. There is nothing to prohibit that under the law as it is now.

Mr. DOUGHERTY. I understand. I shall not claim the same knowledge of the law that you gentlemen have, but as I have read it it does not seem to me it is sufficient to meet all the requirements under all these routes, and therefore it seems desirable to put some such provision into this act.

Mr. LITTLEFIELD. I understand there is a line known as the Lamport & Holt Line running from New York to Brazil, and under existing conditions they have an arrangement for carrying the United States mail. I would like to know if your amendment became a law what change, if any, there would be in connection with that line; if you are sufficiently advised, what the result would be. Would it increase their compensation?

Mr. DOUGHERTY. If they were under contract with the United States that contract could not be broken, of course, by the Government, and I should say it would not be affected in the slightest degree.

Mr. LITTLEFIELD. Suppose they are under contract now for carrying the mail, would your amendment, if it became a law, increase their compensation; would they get more compensation or less compensation?

Mr. DUVAL. Our amendment contemplates that the Post-Office Department will advertise for bids to meet the requirements of speed under the conditions that the bill prescribes, and that the lowest bidder that meets those requirements—if it is a foreign vessel the price must not be more than one-half the subsidy allowed for the American ship—shall be awarded the contract. There may be one or two boats of the Lamport & Holt Line that exceed 8 or 9 knots speed, by which they advertise to take passengers. I think the *Byron* and the *Tennyson* make 11 knots.

Mr. MINOR. What is their speed, 14 knots?

Mr. DUVAL. Not so much as that.

Mr. MINOR. Lloyds rates them at 14 knots.

Mr. DUVAL. Mr. Chairman, I want to say again that boats rated at 14 knots are not 14-knot boats in service. Boats that are rated at 14 knots are rated according to a trial, and they are entirely incapable of doing 14 knots in actual service, such as the bill prescribes. I feel very safe in saying that the Lamport & Holt Line running to Brazil are incapable of making 14 knots in service.

Mr. MINOR. They made it on trial trips?

Mr. DUVAL. Yes, sir; that may be, but they would not reach over 11 knots in service. A preliminary trip as prescribed in the bill is four hours' continuous steaming, but for the whole service most of them would not attain more than a 9-knot speed average.

Mr. LITTLEFIELD. We will take the two that would probably have an average of 11 knots. Of course we understand that when you talk about 14 knots speed that probably means on a right-away course for a certain specific time. Of course that does not mean continuous work, day after day. That is very true. Take the boat with an average of 11 knots. What I would like to get at, if you can inform me, is would it increase their compensation if the Postmaster-General availed himself of the provision of this bill, and they made their bids, and they went through the machinery involved in your amendment—how much would it increase the compensation of the Lamport & Holt Line so far as these two 11-knot boats are concerned?

Mr. DUVAL. It would be utterly impossible to say. Our idea is that the steamers capable of performing that service would bid for the service, and the lowest bid would take the contract. It requires 14 knots actual speed capacity under our amendment.

Mr. LITTLEFIELD. Suppose the bid was not less than one-half the subsidy; how much would it increase the compensation then?

Mr. DUVAL. It can not be more than one-half of the subsidy.

Mr. LITTLEFIELD. Suppose it is awarded to them at one-half the subsidy?

Mr. DUVAL. We do not contemplate any award unless there is an acceptance of the bid. I do not want to admit that our amendment suggests such a possibility.

Mr. LITTLEFIELD. I do not suggest that it does. Suppose that the lowest bid was one-half the subsidy, and there was no lower bid. If that was the case, and the Postmaster-General contracted at one-half the subsidy, how much, if anything, would it increase the compensation that is now being paid to them?

Mr. DUVAL. That is a matter of calculation that I have not gone

into. I can say this: They would not get any part of the subsidy with 11-knot boats.

Mr. LITTLEFIELD. Where you call for a 14-knot average?

Mr. DUVAL. Not in the trial, but in the service.

Mr. BIRDSALL. Under this amendment the contract would necessarily be let to an American vessel if there was one that bid on the contract, provided its bid was not above the amount of the subsidy?

Mr. DUVAL. Yes, sir.

Mr. BIRDSALL. And no foreign ships would get it at a higher rate than one-half?

Mr. DUVAL. No, sir.

Mr. DOUGHERTY. The next amendment is on page 25:

Provided, That the requirements of this section as to the rates of speed shall be deemed to be complied with if during a trial of four hours' continuous steaming at sea in ordinary weather in water of sufficient depth to make the test a fair one, a rate of speed at least twenty per cent greater than the prescribed rate shall be developed to the satisfaction of the Postmaster-General, and if the owner of such vessel shall establish to the satisfaction of the Postmaster-General that said vessel has been maintained in a condition to develop, and that she has actually developed and shall maintain the prescribed rate of speed at sea in ordinary weather. If such vessel shall fail to maintain such prescribed rate of speed at sea in ordinary weather, the contract may be terminated at the discretion of the Postmaster-General.

The idea is to make it certain that the vessel will maintain the speed in actual service.

Mr. LITTLEFIELD. Is that not a very indefinite proposition from a maritime point of view?

Mr. DUVAL. I think not. If the vessel did not maintain the speed in service it would be shown by her log that it was due to stress of weather, and it is provided here "in ordinary weather at sea." We are not providing against the elements.

Mr. WACHTER. The amendment says "during a trial of four hours' continuous steaming at sea in ordinary weather in water of sufficient depth." Is there any place in the sea that is not of sufficient depth?

Mr. DUVAL. We took the language of the bill as it was.

Mr. MINOR. The idea of the Merchant Marine Commission, of which I was a member from beginning to end, was to develop the commercial affairs of this country.

Mr. DUVAL. I feel quite certain of that.

Mr. MINOR. And we cared less for the speed of the vessels coming within the purview of this bill than we did for the carrying of American products to foreign ports. I want to ask you if it is possible for a vessel laden to the gunwales with American products to maintain under all conditions a speed of 14 knots an hour in carrying the mails, and is it absolutely necessary that they should maintain that speed? To proceed a little further, I want to say, as one member of the Commission, that had it been only for the building up of conditions down here on the Atlantic coast and out on the Pacific coast, the building up of shipyards and in the interest of marine matters, had that only been in mind, I for one would never have consented to frame the bill we did, but I believed it to be for the interests of the farmers and the manufacturers and everybody else in the interior of the United States, as well as on both coasts, that this bill should pass in its present form, because I believe it necessary to

build up their foreign markets abroad and to create a demand for our products, and I believe that American capital, American ships, and American genius will be the means whereby we will build that trade up. I would like to ask you if it is possible or would it be wise for us to establish a rate of speed that would be so high that a vessel laden down could not come within the limits of that speed?

Mr. DUVAL. We are discussing not the commercial, but the mail subsidy, and we are providing a rate of speed that is adequate to carry the mails, paying for it as a service, and that service requires at least the rate of speed that this bill provides. In answer to your inquiry I want to give you a little example. In going down three years ago to Buenos Ayres from Hamburg I traveled on a cargo boat of the Hamburg-American Line, a 14-knot boat, and we went to Buenos Ayres laden down, as you describe it, to the gunwales. That boat maintained that speed on the voyage down and got a mail subvention. So it is not only feasible, but entirely practicable to carry out that plan. Indeed, anything less than 14-knot service between New York and Brazil for mail service is not a mail service at all.

Mr. LITTLEFIELD. What was the speed of the boat you went on?

Mr. DUVAL. Fourteen knots.

Mr. LITTLEFIELD. On an average?

Mr. DUVAL. Yes, sir.

Mr. WATSON. It is the final design of this bill to increase commerce.

Mr. DUVAL. We are discussing now the mail service.

Mr. WATSON. Is it not the final design of this bill to increase commerce?

Mr. DUVAL. I hope so, and the mail service will assist commerce.

Mr. MINOR. If that vessel maintained a speed of 14 knots during the entire voyage, what speed did she develop on the trial trip?

Mr. DUVAL. I do not know, but I can tell you a fact, that from Hamburg, or rather from Cherbourg, to Buenos Ayres the speed maintained throughout the voyage was 14 knots. This is not regarded in any sense as exceptional.

Mr. MINOR. And we recognized the fact that we should not favor a rate of speed that could not be reached by these vessels when loaded.

Mr. DUVAL. I say again that any mail service between New York and Brazil of less than 14 knots speed would be absurd. That is the speed made in a similar European mail service between home ports and foreign ports.

Mr. MINOR. That is a different proposition; you are running south.

Mr. DUVAL. They are running south.

Mr. MINOR. How many lines have you running from northern ports to Brazil that make more than 14 knots?

Mr. DUVAL. None; but we have no mail service. You propose in this bill to pay for an efficient mail service.

Mr. MINOR. But underlying all that is the commercial service?

Mr. DUVAL. This is a special mail subsidy.

Mr. WATSON. What advantage is the increased facilities for the transportation of mail, if back of it is not to be an increase in commerce?

Mr. DUVAL. Of course, there is an increase in commerce, and the 14-knot speed is perfectly practicable.

Mr. MINOR. It is an exceptional speed for a loaded vessel.

Mr. HUMPHREY. Do you know of any vessel that could take advantage of this subsidy under your amendment?

Mr. DUVAL. There are a good many vessels: possibly the International Mercantile Marine.

Mr. LITTLEFIELD. Under American register?

Mr. DUVAL. Not all; some foreign ships.

Mr. LITTLEFIELD. It would be a chance for those ships to get in?

Mr. DUVAL. Yes, sir. We are not here as opponents per se of the International Mercantile Marine or of anyone else. If foreign ships come in and apply for the performance of a mail service and are capable of performing it, we have no objection to that.

Mr. MINOR. Let me say to you, as a member of the Merchant Marine Commission, that that Commission very carefully examined the rates of speed maintained by the ships carrying the mail from the United States to South America, and we found only a few in the entire lot that reached 14 knots. Therefore we fixed our limit so that we might be able to carry the mails and carry the cargo and yet not be behind.

Mr. DUVAL. Then in framing this part of the bill it was contemplated that instead of 14 knots where it is provided we would not get a mail service of over 11 knots, while we would be paying for an improved service.

Mr. GOULDEN. Do you know anything about the Spreckels steamers running out of San Francisco?

Mr. DUVAL. Yes, sir.

Mr. GOULDEN. Do you know what their requirements as to speed are?

Mr. DUVAL. My recollection is that the Spreckels boats, when I was in California some years ago, were about 16-knot boats.

Mr. LITTLEFIELD. On the average?

Mr. DUVAL. Actual 16-knot boats.

Mr. MINOR. I believe you are right about that, and that is the very company that is losing \$300,000 a year in maintaining the steamers.

Mr. LITTLEFIELD. One suggestion in regard to the amendment in relation to the rate of speed in ordinary weather.

Mr. DOUGHERTY. That follows the language of the act. The suggestion about the sea is not applicable to our amendment. We have not changed the language of the bill.

Mr. LITTLEFIELD. I do not see anything in the bill that reads that way.

Mr. DOUGHERTY. We accepted the language as existing in the law. We are not responsible for it. I suppose they use that language because the sea might exist 3 miles from the coast and there may be places where there is not sufficient depth to make the trial.

Mr. LITTLEFIELD. There is no way of determining that except by the log?

Mr. DUVAL. That is to be done to the satisfaction of the Postmaster-General, who is to have a representative there. In that we simply followed the language used in the original bill.

Mr. DOUGHERTY. We have proposed, at page 21, to reduce the term of the contract for the mail service which the Postmaster-General is authorized and directed to make—the contracts which would come in and get the absolute subsidy. We think the period of five and ten years had better be reduced to three and five years,

because a long contract would tend to prevent competition. If some boats were built and got the benefit of the contracts, other boats subsequently built might be neglected. In addition it would be advisable in the interests of the American shipbuilders to adopt section 11, which is a new section, so as to close the door absolutely against ships not built in the United States.

Mr. MINOR. I do not see any particular fault to be found with that. It makes it specific, and that is exactly what the Commission desires. We think we cover that already in the language of the bill, but there is no objection to the amendment, so far as I am personally concerned.

If Congress should adopt the amendments which you and your association have proposed, will you support the bill in its entirety and promote its passage?

Mr. DOUGHERTY. If Congress will adopt the amendments proposed, we shall certainly support the bill.

Mr. MINOR. In its entirety?

Mr. DOUGHERTY. Yes, sir; I think I may say for the association that we shall be glad to do so. So far as we are concerned, if these amendments be adopted, which we think are vital, we will give you all possible assistance to secure the passage of the shipping bill.

Mr. LITTLEFIELD. You will do the best you can, but you can not tell how much that is?

Mr. DOUGHERTY. No one can tell what this effort will amount to, but it will be a good, sincere effort.

Mr. MINOR. I want to introduce to you Mr. Harvey D. Goulder, who is president of the Merchant Marine League of the United States, and who would like to ask you a question.

Mr. GOULDER. I have not followed this language closely or clearly, but taking your provision at the top of page 23, by which a foreign ship classified in the terms of the amendment would get one-half or up to one-half of the amount, is there not an incongruity between that and section 11? In what position would Congress be if it adopted both?

Mr. DOUGHERTY. I think there is none, for this reason: Bear in mind that our amendment to section 5, with regard to the establishment of what we call provisional mail routes, is simply designed to give the commerce of the country a temporary opportunity to have fast mail service without drawing upon the subvention or subsidy, and, secondly, when we provide in section 11 that no foreign boats shall get the benefit of any subsidy we certainly do not intend or provide that the foreign boats shall come in and gain from the passage of this law.

Mr. GOULDER. Would it follow in cases where there are immediately foreign ships which could meet the requirements of the amendment and be employed for a subvention not over one-half—

Mr. DOUGHERTY (interrupting). Do not use the word "subvention" as applicable to those who would get any part of this subsidy in any shape. It is an agreement.

Mr. GOULDER. Call it by any name. The thought I had was whether in those cases which are contemplated by the amendment that the contract would be made for the full period.

Mr. DOUGHERTY. The contracts would be made for the periods suggested, which are short periods only. I presume the length of the

term would depend a great deal upon the condition of the American tonnage in prospect, and I suppose the Postmaster-General would not be likely to make a long contract if it were to go to a foreign boat.

Mr. GOULDER. The thought floating in my mind is whether the result of that might or might not be to tie up to foreigners and so exclude the market for the American ships during that time?

Mr. DUVAL. That point, I think, I will answer. It would perhaps be better from our point of view to make the contracts for not less than one nor more than three years instead of three or five years—that is, giving the discretion to the Postmaster-General.

Mr. GOULDER. I am trying to get at the result in facts. Suppose the Postmaster-General, in the exercise of proper discretion, one that everybody would say is proper discretion, should find it necessary to make a contract for five years. For that particular route it would exclude and discourage the building of American ships during that period of time.

Mr. DUVAL. I will advocate a change in the amendment still further, to make it in the case of foreign ships only one year, or one to three years, and in the case of American ships three to five years. I quite agree with the idea that you suggest, so that provisional contracts being made with foreign ships as soon as canceled their places can be taken by American ships as soon as they are built and available, and then American ships being available and contracts being made with them, not to tie up to one lot of American ships for a term of years, but to furnish inducements for other American ships to be constructed and to come in.

Mr. GOULDER. We must all agree that the Postmaster-General would have to use his best discretion and where it is better to make a contract for the longer term he would be expected to do so. He would have to do his best, of course.

Mr. DUVAL. You might make it one or three years in the case of foreign ships.

Mr. MINOR. Then, you will modify your amendment, as I understand?

Mr. DUVAL. In the matter of the length of time?

Mr. MINOR. Yes, sir.

Mr. DUVAL. Yes, sir.

Mr. DOUGHERTY. We will follow the suggestion made by the committee and make the language which we have incorporated in our amendments harmonious, and, in the second place, reduce the period in the case of the foreign ships competing for the mail service to one year and not more than three years, or whatever the committee thinks desirable.

Mr. LITTLEFIELD. How would it do to provide, in case of a contract with a foreign ship, that the Postmaster-General might terminate the contract whenever the public interests might require it?

Mr. DUVAL. That would be a very difficult contract for him to make. The foreign ship would require some assurance—that is to say, for a year. They (the Post-Office Department) will try to make these contracts for a year, but I should say at the outside three years would be ample.

Mr. GOULDER. Do you happen to know what ships available under this amendment for 14 knots ordinary speed which would come in which are not engaged in some specific work?

Mr. DUVAL. I know there is a great part of the International Mercantile Marine fleet that are not employed, and a very large part would be available for that speed.

Mr. LITTLEFIELD. What particular line?

Mr. DUVAL. The Atlantic Transport Company, the Red Star boats, the Leyland Line, the Dominion Line, and the Wilson Line. Those are not all 14-knot boats, but they are all within 12 knots, and a good part come within 14 knots, and there is a good part of them from what I have learned, that are not in service now.

Mr. LITTLEFIELD. Is it your idea that all of those lines have surplus tonnage?

Mr. DUVAL. Yes, sir; and if it so happens that there is no tonnage available to take advantage of this suggested amendment of ours we are in no worse case than at present. We are giving an opportunity if there are any to take advantage of that opportunity.

Mr. GOULDER. Is it worth while to put it in unless there is to be a fair and reasonable prospect of ships which would be available?

Mr. DUVAL. The only way to know it is to put the matter before the ships. They are there to bid for it and they will bid.

Mr. LITTLEFIELD. There is another way to know, I suppose, by addressing a communication to the International Mercantile Line and ascertaining that information?

Mr. DUVAL. Certainly, and by an advertisement in the papers.

Mr. GOULDER. I am entirely ignorant on the subject.

Mr. DOUGHERTY. I wish merely in closing to say that we of the association are very much obliged to the committee for its patience and its courtesy in hearing us, and we feel in leaving that we have left an impression somewhat different from that which was in the minds of some of the members of the committee when we came.

Mr. BIRDSALL. This is a mercantile association?

Mr. DOUGHERTY. No, sir; it is the Merchants' Association of the City of New York, an association to promote the welfare and trade of the city of New York, and it frequently deals with questions of larger character and scope.

Mr. BIRDSALL. It is commercial in a way?

Mr. DOUGHERTY. Yes, sir. Here is its membership list [exhibiting], and you will find among them some of the largest corporations doing business of all descriptions in the city of New York.

Mr. BIRDSALL. It is not confined to promoting any particular business?

Mr. DOUGHERTY. No, sir. Gentlemen engaged in all kinds of business and manufactures—people in various fields.

Mr. BIRDSALL. I take it you are satisfied, from the course of your remarks, that the subsidy provided for mails is sufficient to maintain those lines and to induce ships to go into them and build up a trade with this provision as to carrying the mails?

Mr. DOUGHERTY. Yes, sir.

Mr. BIRDSALL. How, in your judgment, will this bill promote the building of ships for general commercial purposes?

Mr. DOUGHERTY. As your chairman says, the proposed subvention is adequate, as has been the universal testimony before the Commission.

Mr. BIRDSALL. What is your judgment on that subject?

Mr. DOUGHERTY. Of course I am not an expert. I am simply a lawyer. I have usually turned the expert questions over to Mr. Duval, but my judgment would be that the bill was adequate to accomplish the purpose that Congress had in mind in proposing the bill.

Mr. BIRDSALL. That is one purpose. My thought is this: In order to be effective in any sense there must be a subvention or a subsidy, whatever you please to term it, which will practically make up the difference between the cost of construction and the cost of maintenance of the ships, and my question is whether this subvention will do that—I mean aside from the mail service.

Mr. DUVAL. My impression is that it is inadequate. I may say that the general impression I have had is that \$5 a ton subsidy for steamers would not be sufficient inducement to develop that class of steamers, but the answer to that is sufficient when the chairman tells us that the shipowners and shipbuilders think that would be sufficient to bring about the construction of that class of tonnage.

Mr. BIRDSALL. The difference, I believe you said, was 25 per cent in construction?

Mr. DUVAL. It is generally estimated at 25 per cent.

Mr. BIRDSALL. And the difference in maintenance is about 25 per cent?

Mr. DUVAL. Yes, sir.

Mr. BIRDSALL. That would be practically an average of 50 per cent?

Mr. DUVAL. It could not be stated in that way, because there is a difference in the basis. Our navigation laws, which contain requirements as to the provisioning and manning of vessels, impose a severe additional tax upon operating American ships, and the difference has been variously stated as from 25 to 30 per cent. We attribute that in the principal part to the lack of plant and organization in this country. We think, with the cheaper material which we have here and the better labor, which is paid a higher wage, that we will be at an advantage over the foreigner when we have a plant and organization established in this country.

Mr. HINSHAW. Cheaper material in this country?

Mr. DUVAL. The cheaper cost of iron and steel in this country has been demonstrated by the reports of the steel trust.

Mr. HINSHAW. You say the steel in this country is cheaper than it is in Europe on the Clyde?

Mr. DUVAL. Yes, sir; but held at a higher price except at times when they are threatened with a congestion.

Mr. SPIGHT. Do the American shipyards get those prices?

Mr. DUVAL. No, sir.

Mr. MINOR. Is it true or not that American steel is laid down cheaper in Scotland and English shipyards than it is in this country?

Mr. DUVAL. Only when the production exceeds the consumption in this country. At one time they delivered steel rails in Japan at \$20.65 a ton when the lowest price to the railroads of the country was \$28 a ton.

Mr. MINOR. That was exceptional?

Mr. DUVAL. It is only at times when congestion is threatened. The manufacturers do not want to see their yards filled up with steel.

Mr. LITTLEFIELD. That is not a constant incident of the business?

Mr. DUVAL. No, sir.

Mr. LITTLEFIELD. Peculiar to a condition?

Mr. DUVAL. Yes, sir. There was a letter written by Mr. Charles M. Schwab and subsequently published in book form—

Mr. LITTLEFIELD. The history of Andrew Carnegie?

Mr. DUVAL. Yes, sir; and there, you remember, he showed that steel rails could be produced in this country at \$7.50 a ton less than elsewhere.

Mr. MINOR. Here is a letter bearing upon that situation. This letter is dated Philadelphia, January 15, 1906, and is sent to Hon. J. H. Gallinger, chairman of the Merchant Marine Commission:

THE WILLIAM CRAMP & SONS SHIP
AND ENGINE BUILDING COMPANY.
OFFICE OF THE VICE-PRESIDENT,
Philadelphia, January 15, 1906.

DEAR SIR: Referring to your letter of the 11th instant, requesting to be informed as to the number of tons of steel plates and shapes required for the construction of each of four such steamers as we are now building for the New York and Cuba Mail Steamship Company, and how much more the steel would cost if purchased at the ruling prices in this country than if imported from Great Britain, I beg to state as follows:

The amount of steel plates in one vessel is 1,900 tons and the amount of steel shapes in one vessel is 990 tons.

Recently, by reason of the rapid rise in the prices of materials in Great Britain, the foreign builder pays almost as much for plates and shapes as we do; in fact, the difference in cost between steel purchased in this country and abroad for vessels of this size would be as follows:

| | |
|--------------|----------|
| Plates ----- | \$5, 328 |
| Shapes ----- | 5, 880 |

making a total saving of \$11,208 in the material purchased abroad. The steamers referred to will cost complete upward of \$900,000 each; so that the difference in the cost of their steel plates and shapes between here and abroad represents only a little more than 1 per cent of the total value of each steamer.

Where vessels have been intended for the foreign trade alone the various steel interests have offered to sell us the materials at the best export prices.

Very truly, yours,

EDWIN S. CRAMP, *Vice-President.*

HON. JACOB H. GALLINGER,

*Chairman Merchant Marine Commission
of the United States, Washington, D. C.*

Mr. LITTLEFIELD. Are Harland & Wolff the largest shipbuilders in the world?

Mr. DUVAL. Perhaps not the largest.

Mr. GOULDER. The largest company is the American Shipbuilding Company, on the Great Lakes.

Mr. LITTLEFIELD. I made inquiry of Mr. Carlisle, the managing director, as to whether they were buying our steel cheaper than their local and domestic steel, and he told me that the only instance he had had in his experience was about five or six years ago, and that at that time they bought \$50,000 worth of steel, and that they have not been buying American steel cheaper than their own domestic steel.

Mr. MINOR. I would like to have Mr. Marvin, who is the former secretary of the Merchant Marine Commission, answer that question.

Mr. MARVIN. Mr. Chairman, that point of the adequacy of the

commercial subsidy, both as to sail vessels and as to steam cargo vessels, denominated "tramps," has been gone into very carefully and I think exhaustively by the Merchant Marine Commission, and I have here a detailed statement of the cost of building and manning a typical American "tramp" steamer and a typical British steamer of similar tonnage, the American steamer being the *Pleiades*, then in service on the Atlantic coast, and the British steamer being the *Lady Joicey*. The cost of manning the American steamer for one year was \$14,580, and the cost of manning the British steamer was \$11,532. The cost of constructing the American steamer was \$275,000, and the cost of building the British steamer was \$214,000.

Mr. WATSON. Where were they constructed?

Mr. MARVIN. The American steamer was constructed at Sparrow's Point, Md., near Baltimore, and the British steamer was built in England. The total difference in charges, based on the difference in cost of construction, consisting of interest at 5 per cent, depreciation at 5 per cent, and insurance at 6 per cent a year, was \$9,760. Adding together the charges based on the difference in the cost of construction and the other charge of the difference in the cost of maintenance and we have a total difference in the cost of operating those steamers for a year of \$12,818, or including the difference in the cost of food, of \$13,172. The *Pleiades*, a ship of 3,753 tons gross, would have received, at the rate of \$5 per ton per year, a subsidy of \$18,765, covering the cost of operation and somewhat more.

Mr. GOULDER. In what trade were those vessels engaged?

Mr. MARVIN. At the time this comparison was made they were engaged in the trade with the West Indies and South America, the same trade, ships of the same size and character and same capacity.

Mr. BIRDSALL. You will submit that statement?

Mr. MARVIN. The statement is in the report, and there are other statements contained in the speech of Senator Gallinger, made while the bill was before the Senate. He presented statements from owners of cargo steamers, owners of sail vessels, the most experienced and most competent men on the Atlantic coast, to the effect that the cargo subsidy was sufficient to protect American steam shipping in the cargo trade, and that it was sufficient for cargo sail vessels, but not sufficient, probably, for high-speed, luxurious passenger ships.

Mr. WATSON. You think the comparison there set forth of the cost and maintenance would hold good throughout?

Mr. MARVIN. I think so.

Mr. WATSON. There is nothing extraordinary?

Mr. MARVIN. The two vessels are of a standard type.

Mr. BIRDSALL. I would suggest that you put that statement in the record.

Mr. MARVIN. I will.

These are the statements referred to:

COMPARISON OF AMERICAN AND BRITISH STEAM "TRAMPS."

Wages paid.

| | American steamship <i>Pleiades</i> . | | British steamship <i>Lady Joicey</i> . | |
|----------------------------|---|--------|---|-----------|
| | Number. | Wages. | Number. | Wages. |
| Master..... | 1 | \$200 | 1 | \$145.80 |
| First mate..... | 1 | 70 | 1 | 51.03 |
| Second mate..... | 1 | 35 | 1 | 36.45 |
| Third mate..... | | | 1 | 29.16 |
| Carpenter..... | | | 1 | 31.59 |
| Boatswain..... | | | 1 | 26.73 |
| Steward..... | 1 | 55 | 1 | 31.59 |
| Engineer steward..... | | | | |
| Cook..... | 1 | 40 | 1 | 26.73 |
| Mess-room boy..... | 1 | 20 | 1 | 14.58 |
| Able seaman and lamps..... | 1 | 20 | | |
| Able seamen..... | 8 | 240 | 7 | 144.55 |
| Ordinary seaman..... | | | 1 | 12.15 |
| First engineer..... | 1 | 100 | 1 | 82.62 |
| Second engineer..... | 1 | 65 | 1 | 58.32 |
| Third engineer..... | 1 | 50 | 1 | 38.68 |
| Fourth engineer..... | | | 1 | 29.16 |
| Donkeyman..... | | | 1 | 26.73 |
| Firemen..... | 6 | 240 | 8 | 174.96 |
| Oilers..... | 2 | 80 | | |
| Month..... | 26 | 1,215 | 30 | 976.29 |
| Year..... | | 14,580 | | 11,532.96 |

Annual difference, \$3,047.64.

Charges based on cost of construction.

| | American. | British. |
|-------------------------------|-----------|-----------|
| First cost..... | \$275,000 | \$214,000 |
| Interest, 5 per cent..... | 13,750 | 10,700 |
| Depreciation, 5 per cent..... | 13,750 | 10,700 |
| Insurance, 6 per cent..... | 16,500 | 12,840 |
| Total..... | 44,000 | 34,240 |

The annual difference is thus \$9,760.

Cost of food.

| | |
|---|---------|
| American crew: 26 men at \$0.50 per day for 365 days..... | \$4,745 |
| British crew: 30 men at \$0.40 per day for 365 days..... | 4,380 |

The annual difference is thus..... 365

Adding together the difference in annual wages, the differences in charges based on cost of construction, and the difference in the cost of food, there is a total of \$13,172.64 as between an American steamer like the *Pleiades* of the general-cargo type and a similar British steamer.

The *Pleiades*, of 3,753 gross tons, would receive in subventions annually, on the basis of \$5 per gross ton, the sum of \$18,765, thus amply equalizing conditions between a typical American freighter and a British freighter of like class.

A STEAMSHIP OWNER'S STATEMENT.

These are the letters from practical shipowners in reply to the inquiry of Senator Gallinger, chairman of the Merchant Marine Commission, as to whether the proposed subventions were adequate:

BOSTON TOWBOAT COMPANY,
Boston, January 19, 1906.

HON. J. H. GALLINGER,
Chairman Merchant Marine Commission.
United States Senate, Washington, D. C.

DEAR SIR: In reply to your inquiry of the 18th, as to whether the subvention of \$5 per ton to cargo vessels in general foreign trade and \$6.50 per ton in Philippine trade is sufficient to cover the difference in cost of operation between American and foreign vessels, I would say that I regard this as sufficient, provided the American ships are managed economically and proper efforts are made to secure full cargoes.

The Boston Towboat Company has three American-built steel steamships of the general-cargo type—the *Lyra*, *Hyades*, and *Pleiades*—running out of Puget Sound to China, Japan, and the Philippines. These vessels, of about 5,000 tons capacity, have Americans as the officers and leading men and Asiatics as the remainder of their crews. I believe that your proposed subvention of \$5 per ton for general and oriental and \$6.50 for Philippine trade will enable our company to operate these ships successfully against the competition of similar foreign vessels, though the bill compels us to increase the proportion of Americans, and therefore the rate of wages and cost of maintenance in our crews. This statement applies to the Pacific trade, in which these vessels are now engaged, with two 12,000-ton ships belonging to the Boston Steamship Company.

These subventions to general-cargo vessels are in general sufficient to encourage the building and operation of American steamships with large capacity for grain, flour, lumber, cotton, provisions, and general merchandise.

But, in my judgment, the subventions are not enough to encourage the building of fast passenger steamships for the trade from North Atlantic ports to Europe. However, as I understand the bill and report of the Commission, it is your purpose to build up American shipping in the trade with Asia, South America, etc. Here the subventions you suggest will unquestionably be sufficient.

Very truly, yours,

ALFRED WINSOR, *President*.

Mr. Winsor is president not only of the Boston Towboat Company, but of the Boston Steamship Company, which together own and operate 5 of the 7 American steamers running regularly from Puget Sound to the markets of the Orient.

AS TO SQUARE-RIGGED SAILING VESSELS.

BATH, ME., January 20, 1906.

HON. J. H. GALLINGER,
United States Senate, Washington, D. C.

DEAR SIR: Replying to your valued favor of 19th instant, I beg to state that my firm is operating a fleet of large, steel, square-rigged sail ships, which we built in our own shipyard in this city. For some years, in fact since the subsidized French sailing ships have appeared on the ocean in numbers, we have been unable to operate our ships in the foreign trade and have only managed to exist by engaging in the transportation of sugars from Hawaii, a trade protected by our coastwise laws, sending our ships out to the Pacific with coal, and, failing to get that, with oil to a foreign port at best rate obtainable, but frequently a rate insufficient to pay the actual operating expenses of the ship—in fact, getting out as best we could in order to get a freight home on Hawaiian sugar. The profits for such a round voyage, owing to the low outward rates in competition with foreign vessels, have been so meager that we have been forced to suspend the building of such vessels, and our shipbuilding plant, which for many years gave employment to hundreds of skilled mechanics, has laid idle during the past three years. It produces now only a flourishing crop of weeds.

After January, 1907, we shall lose the Hawaiian sugar transportation, owing to a contract which has been made for a series of years for the transportation of the crop by the American-Hawaiian Steamship line, operating in conjunction with the Tehuantepec Railroad Company, of Mexico, the sugar being taken from Hawaii by steamer to the Pacific terminus of the railroad, shipped across Mexico by this Mexican railroad, which has been developed and is owned by British capital, and then, again, at the Atlantic terminus turned over to the American-Hawaiian Steamship Company and by the steamers carried to Philadelphia and New York. Thus a transportation company, one link of which is a railroad on foreign soil, is enabled to drive out of our protected (?) coastwise trade the vessels which the coastwise laws were intended to protect.

When this trade is lost to us we know of no other in which it is possible to operate our ships without absolute loss, and, unless Congress concludes to give the shipbuilding and shipowning industry a moderate share of the protection, which has been extended to all other American industries, and which has been the declared policy of the dominant party for years, our ships will be unable to sail the ocean, and will doubtless become in the near future coal barges or coal hulks at a ruinous sacrifice to their owners and, I believe also, at some considerable loss to our merchant marine and Navy, and consequently to the nation.

The one ray of hope we have is in the passage by Congress of the bill formulated by the Merchant Marine Commission and now under your most able charge in the Senate, and the provisions of that bill will both enable us to operate our present ships and, in conjunction with the act of April, 1904, governing the transportation of supplies for the Army and Navy, encourage us to reopen our shipyard. It will mean just the difference between a living and growing industry and hopeless decay.

Very respectfully, yours,

SAML. S. SEWALL.

Arthur Sewall & Co. are the largest builders, owners, and managers in the United States of square-rigged, steel sailing ships engaged in foreign commerce.

OTHER STEAMSHIP OWNERS.

NEW YORK, January 19, 1906.

HON. JACOB H. GALLINGER,

Chairman Merchant Marine Commission, Washington, D. C.

DEAR SIR: Replying to your favor of the 18th relative to proposed subvention, beg to state that I think we can compete with foreigners at \$5 per gross ton per year and \$6.50 per ton to the Philippines.

I certainly hope the bill will go through and become a law. A practical demonstration will prove whether or not we can compete with the foreigners at these figures.

Thanking you for your efforts on behalf of the American shipping, I am,
Yours, truly,

LEWIS LUCKENBACH.

NEW YORK, January 30, 1906.

HON. JACOB H. GALLINGER,

Chairman the Merchant Marine Commission, Washington, D. C.

SIR: Your favor of January 18 received. We beg to apologize for not answering it more promptly.

Our steamers carry from 2,700 to 3,100 tons of cargo, which is about the average size of vessels carrying coal to West India ports. Take, for example, our steamship *Mac*. During the past year rates to Habana have averaged about \$1.45, and at this rate we have, of course, been unable to compete. If we were to receive the subvention of \$2.50 per ton for six months in the foreign trade, this would enable us to take coal, say, to Habana and bring back cargoes from the Gulf ports to ports north of Hatteras. Allowing eleven trips a year on cargoes of 2,700 tons each, would give us 20 cents a ton on our down cargoes. This would hardly be sufficient for us to compete successfully with this sized steamer, as under present conditions we have figured we could not take coal to Habana at less than \$1.75. If we were able to secure back cargoes of sugar for part of the time, so as she could come under the \$4 subvention, we could possibly make it pay, provided the rates on sugar were not lower than 8½

cents a hundred, which has been a fair average the last two years. We hardly think that it would pay for the \$5 subvention to keep steamers of this size in the foreign trade all the time.

From our study of your bill we think it very questionable whether it would give much encouragement to steamers of from 2,000 to 3,500 tons adapted to coastwise business to enter the foreign trade. However, it surely would build vessels of from 4,000 to 5,000 tons, as they, with the subvention, would be nearer an equal footing with foreign boats. Steamers carrying 2,000 to 3,500 tons dead weight require within a man or two the same number of crew as a steamer of 4,000 or 5,000 tons. The operating expenses, too, are very much less per ton on the larger boat. We think if steamers of 2,000 to 3,500 tons were given a little higher subvention, it would encourage the building of more vessels of that size, for the bill as it stands will hardly put them on parity with other foreign competitors. Unquestionably a boat of 2,000 to 3,500 tons is the most useful pioneer to open a new trade, and it is only when three or four of these smaller boats have shown the ability to get cargoes that a 5,000 to 6,000 ton steamer can be employed.

Then, too, from a naval standpoint, two vessels of 2,000 to 3,500 tons capacity will require fully 30 to 40 per cent more men than one steamer of five to six thousand tons. Both classes are needed to make up a useful and adequate merchant marine, and both require Federal assistance to enter the foreign trade. While we think your bill, as it stands, is about sufficient for a vessel of 5,000 tons or larger, it is not quite sufficient to encourage the building of smaller steamers. However, we appreciate that the freight rates in the foreign trade have averaged lower in the last three years than was really profitable to foreign owners, so that perhaps it is not fair to take this average as an equitable rate for future years.

Another point which should be guarded against is in case a steamer can not procure boys. Upon the indorsement of this fact by some proper authority it would excuse the vessel from taking them on that particular voyage; otherwise we think any owner would be subject to being held up at the last moment for lack of apprentices.

We are anxious to see your bill become a law, as we consider it by far the fairest and most equitable legislation that has been proposed. While we doubt whether we would put the steamers we have at present in the foreign trade, we would unquestionably build tonnage of from five to six thousand tons should your proposed bill become a law.

Yours, very respectfully,

A. H. BULL & Co.

The Lewis Luckenbach Transportation, Coast Towing and Wrecking Steamship Company, and the firm of A. H. Bull & Co. are the principal owners and managers of American general-cargo steamers engaged in miscellaneous freighting business on the Atlantic Ocean.

ANOTHER OWNER OF SAIL VESSELS.

ATLANTIC CARRIERS' ASSOCIATION,
New York, January 21, 1906.

HON. J. H. GALLINGER,
Chairman Merchant Marine Commission,
Washington, D. C.

DEAR SIR: Replying to the inquiry contained in your letter of the 19th, as to whether or not the provision of \$5 per gross ton per year, or \$6.50 per ton in the Philippine trade for cargo vessels, in the shipping bill prepared by your Commission, is sufficient to encourage American shipowners to engage in the foreign trade and increase their tonnage of this useful description, permit me to say: The amount provided will not entirely meet the difference against American sail vessels of the medium size, as in competition with Nova Scotia vessels in the West Indian, Central and South American, and African trade, but it will come so nearly to meeting it as to justify the belief that, with the strictest economy enforced in the operation of our vessels, we shall be able to eventually entirely supersede such vessels in a trade from which they have well-nigh driven American sailing vessels. This is a trade that my vessels are largely engaged in, and if the bill passes as drawn I expect, myself, to build eight or ten vessels in the next five years.

I hear other members of our association saying that they, too, will build if the bill passes as drawn, and I have no doubt that its passage will lead to a general revival of wooden-ship building, not alone in the New England, but in the South Atlantic and Gulf ports of the United States, where proximity of materials, salubrity of climate, and labor conditions make it attractive as a section in which to establish wooden-ship building plants.

Should there be any reduction in the amount to be paid to cargo vessels from that provided in the bill as drawn originally, I am sure the difference against American vessels would make it unattractive for present owners to increase their tonnage. Again, if the bill should discriminate against any class of American vessels engaging in the foreign trade because of their tonnage it would lead to widespread dissatisfaction with, and possibly indifference regarding, the fate of the bill.

Permit me to utilize the occasion to compliment you, and through you the other distinguished members of your honorable Commission, upon the very excellent, although extremely moderate, measure that you have drafted. If it should be passed by Congress as drawn, myself and associates in the Atlantic Carriers' Association are convinced that it will inaugurate an American maritime policy that will eventually give us a great American mercantile marine, alike creditable to the nation and helpful to it in the extension of its commerce and as an auxiliary aid to the Navy.

I have the honor to remain, with best wishes for the success of the bill.

Yours, very truly,

FIELDS S. PENDLETON.

Mr. Pendleton is the largest individual owner in and manager of fore-and-aft sailing vessels or schooners on the Atlantic coast, being engaged in both coastwise and foreign commerce.

AS TO THE MAIL SUBVENTIONS.

[RED D LINE OF STEAMSHIPS, BOULTON, BLISS & DALLETT, GENERAL MANAGERS, NEW YORK, DECEMBER 5, 1904.]

HON. J. H. GALLINGER,

Chairman the Merchant Marine Commission, Washington, D. C.

DEAR SIR: I am in receipt of your communication asking my opinion regarding the proposed rates of compensation for the lines of steamers to South America, and in reply beg to say that, while I am not very familiar with the trade of Brazil and the Argentine, it seems to me that the proposed rates are liberal enough to induce responsible bidders to submit proposals.

Very respectfully, yours,

ERNEST C. BLISS.

NEW YORK AND CUBA MAIL STEAMSHIP COMPANY,

New York, December 5, 1904.

HON. J. H. GALLINGER,

Chairman Merchant Marine Commission, Washington, D. C.

MY DEAR SIR: In the absence of Mr. Alfred G. Smith, who is at present in Cuba, and to whom your letter of December 1 was addressed, would say that I have perused same very carefully and am of the opinion that the amounts of compensation as therein submitted are adequate to assure proposals from responsible bidders.

Yours, very truly,

HENRY P. BOOTH, *President.*

UNITED FRUIT COMPANY, NEW ORLEANS DIVISION,

New Orleans, La., December 3, 1904.

HON. JACOB H. GALLINGER,

Chairman Merchant Marine Commission, Washington, D. C.

DEAR SIR: In reply to your communication of the 1st instant, respecting the schedule of new ocean mail service proposed for four new lines from Gulf ports, based on an advance in the rates of the present postal subsidy law, would say that, assuming that the vessels engaged in the service mentioned would only have to touch at one port in each of the countries named, I consider the figures given in your letter sufficiently attractive to secure proposals from responsible bidders. I should be glad to hear from you further on the subject as it progresses.

Sincerely, yours,

C. H. ELLIS, *Manager.*

Mr. Bliss is one of the managers of the "Red D" Line, from New York to Venezuela, receiving a mail subvention under the postal-aid law of 1891—the only American line running to South America south of the Isthmus of Panama.

Mr. Booth is the president of the New York and Cuba Mail Steamship Company, operating the American service, known as the "Ward Line," to Cuba and Mexico, which receives a subvention under the postal-aid law of 1891.

Mr. Ellis is the New Orleans representative of the United Fruit Company, which operates many foreign vessels, most of them chartered, in the trade with the West Indies and Central America.

American and European steamship wages on fast mail steamers in the North Atlantic trade.

[Compiled from copies of shipping articles by the Commissioner of Navigation.]

| Ratings. | St. Louis (American). | | | Oceanic (British). | | | Kaiser Wilhelm der Grosse (German). | | |
|--|-----------------------|----------------|--------------|--------------------|----------------|--------------|-------------------------------------|----------------|--------------|
| | Num-ber. | Rate of wages. | Total wages. | Num-ber. | Rate of wages. | Total wages. | Num-ber. | Rate of wages. | Total wages. |
| Chief officer | 1 | | \$120.00 | 1 | | \$97.20 | 1 | | \$66.64 |
| First officer | | | | 1 | | 63.18 | | | |
| Second officer | 3 | \$70.00 | 210.00 | 1 | | 53.46 | 2 | \$38.08 | 76.16 |
| Third officer | 1 | | 60.00 | 1 | | 38.88 | 1 | | 30.94 |
| Fourth officer | 1 | | 40.00 | 1 | | 38.88 | 2 | 23.80 | 47.60 |
| Fifth officer | | | | | | | | | |
| Sixth officer | | | | 2 | \$34.02 | 68.04 | | | |
| Total | 6 | | 430.00 | 7 | | 359.64 | 6 | | 221.34 |
| Carpenter | 1 | | 50.00 | 1 | | 38.88 | 1 | | 21.42 |
| Do | 1 | | 40.00 | | | | 2 | 17.85 | 35.70 |
| Joiner | | | | 1 | | 26.73 | | | |
| Boatswain | 1 | | 37.50 | 1 | | 38.88 | 1 | | 20.23 |
| Boatswain's mate | 1 | | 27.50 | 1 | | 24.30 | 1 | | 16.66 |
| Quartermaster | 1 | | 30.00 | | | | | | |
| Do | 5 | 27.50 | 137.50 | | | | 6 | 15.95 | 95.70 |
| Do | 4 | 26.25 | 106.00 | | | | | | |
| Do | 1 | | 25.00 | | | | | | |
| Master at arms | 4 | 25.00 | 100.00 | | | | | | |
| Sailmaker | | | | | | | 1 | | 15.47 |
| Able seamen | 18 | 25.00 | 450.00 | 37 | 21.87 | 809.19 | 23 | 14.75 | 339.25 |
| Do | | | | | | | 1 | | 14.28 |
| Ordinary | | | | 3 | 9.72 | 29.16 | 8 | 5.95 | 47.60 |
| Do | | | | | | | 1 | | 10.71 |
| Do | | | | | | | 1 | | 8.09 |
| Do | | | | | | | 1 | | 7.14 |
| Do | | | | | | | 1 | | 4.76 |
| Cadet | 1 | | 27.50 | | | | | | |
| Do | 1 | | 25.00 | | | | | | |
| Do | 4 | 15.00 | 60.00 | | | | | | |
| Deck boy | 2 | 7.29 | 14.58 | | | | 2 | 4.76 | 9.52 |
| Do | | | | | | | 1 | | 3.80 |
| Do | | | | | | | 2 | 3.33 | 6.66 |
| Total | 45 | | 1,129.58 | 44 | | 967.14 | 53 | | 656.99 |
| Chief engineer | 1 | | 150.00 | 1 | | 170.00 | 1 | | 119.00 |
| Second engineer | 1 | | 100.00 | 1 | | 87.48 | 1 | | 71.40 |
| Third engineer | 2 | 85.00 | 170.00 | 1 | | 82.62 | 1 | | 60.69 |
| Fourth engineer | 1 | | 70.00 | 2 | 72.90 | 145.80 | 1 | | 51.17 |
| Fifth engineer | 5 | 65.00 | 325.00 | 2 | 63.18 | 126.36 | 3 | 41.65 | 124.95 |
| Sixth engineer | 1 | | 60.00 | 2 | 58.32 | 116.64 | 4 | 38.08 | 152.32 |
| Seventh engineer | 5 | 55.00 | 275.00 | 2 | 53.46 | 106.92 | 3 | 29.75 | 89.25 |
| Eighth engineer | 2 | 50.00 | 100.00 | 3 | 48.60 | 145.80 | 3 | 26.18 | 78.54 |
| Ninth engineer | | | | 3 | 43.74 | 131.22 | 8 | 20.23 | 161.84 |
| Tenth engineer | | | | 2 | 38.88 | 77.76 | 4 | 14.28 | 57.12 |
| Cadet engineer | 5 | 15.00 | 75.00 | | | | | | |
| Do | 1 | | 10.00 | | | | | | |
| Refrigerating engineer | 1 | | 45.00 | | | | | | |
| Assistant refrigerating engineer | 1 | | 40.00 | | | | | | |
| Deck engineer | 1 | | 50.00 | | | | | | |
| Winchman | | | | 1 | | 26.73 | | | |
| Electrician | 1 | | 70.00 | 1 | | 48.60 | 3 | 19.98 | 59.94 |
| Assistant electrician | 1 | | 55.00 | 2 | 38.88 | 77.76 | | | |
| Boiler maker | | | | 1 | | 58.32 | 1 | | 21.89 |
| Assistant boiler maker | | | | 1 | | 53.46 | 1 | | 21.42 |
| Total | 29 | | 1,595.00 | 25 | | 1,455.57 | 34 | | 1,069.53 |

American and European steamship wages on fast mail steamers in the North Atlantic trade—
Continued.

| Ratings. | St. Louis (American). | | | Oceanic (British). | | | Kaiser Wilhelm der Grosse (German). | | |
|-------------------------|-----------------------|----------------|--------------|--------------------|----------------|--------------|-------------------------------------|----------------|--------------|
| | Num-ber. | Rate of wages. | Total wages. | Num-ber. | Rate of wages. | Total wages. | Num-ber. | Rate of wages. | Total wages. |
| Oilers..... | 22 | \$40.00 | \$880.00 | 26 | \$26.73 | \$694.98 | 3 | \$21.42 | \$64.26 |
| Firemen..... | 65 | 40.00 | 2,600.00 | 7 | 26.73 | 187.11 | 10 | 21.42 | 214.20 |
| Do..... | 1 | | 80.00 | 70 | 24.30 | 1,701.00 | 2 | 20.23 | 40.46 |
| Do..... | | | | | | | 1 | | 21.42 |
| Do..... | | | | | | | 39 | 19.04 | 742.56 |
| Do..... | | | | | | | 18 | 17.85 | 321.30 |
| Do..... | | | | | | | 21 | 16.66 | 349.86 |
| Trimmers..... | 45 | 80.00 | 1,350.00 | 50 | 21.87 | 1,093.50 | 3 | 15.47 | 46.41 |
| Do..... | | | | | | | 5 | 14.28 | 71.40 |
| Do..... | | | | | | | 77 | 13.09 | 1,007.93 |
| Do..... | 3 | .25 | .75 | | | | | | |
| Total..... | 136 | | 4,860.75 | 153 | | 3,676.59 | 179 | | 2,879.80 |
| Purser..... | 1 | | 137.00 | 1 | | 97.20 | 1 | | 53.55 |
| Assistant purser..... | 1 | | 30.00 | 1 | | 36.45 | 1 | | 16.66 |
| Bookkeeper..... | | | | 1 | | 29.16 | | | |
| Ship's bookkeeper..... | | | | 1 | | 19.44 | | | |
| Printer..... | 1 | | 30.00 | | | | | | |
| Surgeon..... | 1 | | 45.00 | 1 | | 48.60 | 1 | | 32.13 |
| Do..... | | | | | | | 1 | | 23.80 |
| Telegrapher..... | | | | | | | 1 | | 11.90 |
| Total..... | 4 | | 242.50 | 5 | | 230.85 | 5 | | 138.04 |
| Chief cook..... | 1 | | 60.00 | 1 | | 63.18 | 1 | | 59.50 |
| Cooks..... | 1 | | 48.60 | 1 | | 34.02 | 1 | | 30.94 |
| Do..... | 1 | | 88.88 | 1 | | 29.16 | 1 | | 27.37 |
| Do..... | 1 | | 36.45 | 1 | | 24.30 | 1 | | 26.18 |
| Do..... | 1 | | 32.50 | 1 | | 21.87 | 5 | 23.80 | 119.00 |
| Do..... | 1 | | 29.16 | 1 | | 19.44 | 3 | 21.44 | 64.26 |
| Do..... | 2 | 24.30 | 48.60 | 3 | 17.01 | 51.03 | 1 | | 19.04 |
| Do..... | 1 | | 19.44 | 2 | 14.58 | 29.16 | 1 | | 16.66 |
| Do..... | 10 | 17.01 | 170.10 | | | | 1 | | 14.76 |
| Do..... | | | | | | | 1 | | 12.85 |
| Do..... | | | | | | | 1 | | 9.52 |
| Butcher..... | 1 | | 30.00 | 1 | | 29.16 | 1 | | 10.71 |
| Do..... | 1 | | 19.44 | 1 | | 19.44 | 1 | | 9.52 |
| Do..... | 1 | | 17.01 | 2 | 17.01 | 34.02 | 1 | | 8.33 |
| Baker..... | 1 | | 40.00 | 1 | | 38.88 | 1 | | 16.66 |
| Do..... | 1 | | 29.16 | 1 | | 24.30 | 1 | | 11.90 |
| Do..... | 1 | | 24.30 | 1 | | 21.87 | 1 | | 10.71 |
| Do..... | 1 | | 19.44 | 1 | | 19.44 | 2 | 9.52 | 19.04 |
| Do..... | 1 | | 17.01 | 2 | 17.01 | 34.02 | | | |
| Total..... | 27 | | 680.09 | 21 | | 493.29 | 25 | | 485.95 |
| Storekeeper..... | 1 | | 40.00 | 2 | 26.73 | 53.46 | 1 | | 35.70 |
| Do..... | 1 | | 35.00 | 3 | 24.30 | 72.90 | 2 | 21.42 | 42.84 |
| Do..... | 1 | | 30.00 | 1 | | 19.44 | | | |
| Do..... | 1 | | 25.00 | 1 | | 17.01 | | | |
| Do..... | 1 | | 20.00 | 1 | | 14.58 | | | |
| Do..... | 2 | 19.44 | 38.88 | | | | | | |
| Baggage master..... | | | | | | | 1 | | 17.85 |
| Barber..... | 1 | | .25 | 2 | .24 | .49 | 2 | 4.76 | 9.52 |
| Barber's assistant..... | | | | | | | 1 | | .72 |
| Total..... | 8 | | 189.13 | 10 | | 177.88 | 7 | | 106.63 |
| Chief steward..... | 1 | | 62.50 | 1 | | 60.75 | 1 | | 28.56 |
| Stewards..... | 2 | 40.00 | 80.00 | 3 | 38.88 | 116.64 | 6 | 16.66 | 99.96 |
| Do..... | 1 | | 34.02 | 2 | 24.30 | 48.60 | 3 | 14.28 | 42.84 |
| Do..... | 1 | | 32.50 | 2 | 21.87 | 43.74 | 8 | 13.09 | 104.72 |
| Do..... | 1 | | 29.16 | 9 | 19.44 | 174.96 | 109 | 11.90 | 1,297.10 |
| Do..... | 1 | | 25.00 | 1 | | 17.01 | 1 | | 11.18 |
| Do..... | 2 | 24.30 | 48.60 | 134 | 14.58 | 1,953.72 | 3 | 10.71 | 32.13 |
| Do..... | 1 | | 20.00 | 3 | .24 | .73 | 1 | | 10.23 |
| Do..... | 8 | 19.44 | 155.52 | | | | 18 | 9.52 | 171.36 |
| Do..... | 1 | | 18.23 | | | | 30 | 8.33 | 249.90 |
| Do..... | 1 | | 17.01 | | | | | | |
| Do..... | 1 | | 16.25 | | | | | | |
| Do..... | 96 | 15.79 | 1,516.32 | | | | | | |
| Do..... | 1 | | 12.15 | | | | | | |
| Porters..... | | | | | | | 2 | 11.90 | 23.80 |
| Stewardess..... | 4 | 17.01 | 68.04 | 5 | 17.01 | 85.05 | 2 | 10.71 | 21.42 |
| Do..... | | | | | | | 4 | 9.52 | 38.08 |
| Do..... | | | | | | | 3 | 8.33 | 24.99 |
| Matrons..... | 3 | 14.58 | 43.74 | 2 | 14.58 | 29.16 | | | |
| Total..... | 125 | | 2,179.04 | 162 | | 2,530.86 | 191 | | 2,156.27 |

American and European steamship wages on fast mail steamers in the North Atlantic trade—
Continued.

SUMMARY.

| | American. | | British. | | German. | |
|---------------------|--------------|-----------------|--------------|-----------------|--------------|-----------------|
| | Num- ber. | Total wages. | Num- ber. | Total wages. | Num- ber. | Total wages. |
| Deck officers | 6 | \$430.00 | 7 | \$359.64 | 6 | \$221.84 |
| Deck force | 45 | 1,129.58 | 44 | 967.14 | 53 | 659.99 |
| Engineers | 29 | 1,596.00 | 25 | 1,455.57 | 34 | 1,069.58 |
| Firemen | 136 | 4,860.75 | 153 | 3,676.59 | 179 | 2,879.80 |
| Purser, etc | 4 | 242.50 | 5 | 230.85 | 5 | 138.04 |
| Culinary | 27 | 680.09 | 21 | 493.29 | 25 | 486.95 |
| Stewards | 125 | 2,179.04 | 162 | 2,530.36 | 191 | 2,156.27 |
| Miscellaneous | 8 | 189.13 | 10 | 177.88 | 7 | 106.63 |
| Total | 380 | 11,306.09 | 427 | 9,891.32 | 500 | 7,715.55 |

Mr. HINSHAW. What are the elements that enter into the additional cost of maintenance?

Mr. MARVIN. So far as manning is concerned?

Mr. HINSHAW. The whole thing.

Mr. MARVIN. The items that enter into the difference in the cost are set forth in detail in the statement as to the *Pleiades* and *Lady Joicey*, showing the wages of each member of the crew, the American steamer having 26 men, and the British steamer having 30 men, officers included.

Mr. HINSHAW. Is that all the difference—the wages paid to the men?

Mr. MARVIN. The item of food adds somewhat to the cost.

Mr. HINSHAW. The chief difference in maintenance is labor?

Mr. MARVIN. Yes, sir.

Mr. DUVAL. The American lines provide a higher grade of food than the English lines provide.

Mr. MARVIN. The American wages are very much higher. The master of the *Pleiades* receives \$200 a month, and the master of the *Lady Joicey* \$145.80 a month. The chief engineer of the American steamer receives \$100 a month, and the chief engineer of the British steamer \$82 a month. The six firemen on the American steamer receive \$240, and the eight firemen on the British steamer \$174 a month. The other item of cost of construction is all the more significant in that at the time the *Pleiades* was built American ship steel was selling at a price below that of British steel, because of the strike of the machinists in Great Britain. The cost of the American steamer was \$275,000, and the cost of the British steamer was \$214,000, and every cent of that was represented by American labor, because the cost of material was less in this country than abroad.

Mr. WATSON. Unquestionably a subsidy would be valueless unless it made up that difference.

Mr. MARVIN. That is true.

Mr. WATSON. Does this bill provide sufficiently for that?

Mr. MARVIN. It does.

Mr. WATSON. What is your estimate of the cost from year to year? What is the amount of subsidy that would have to be paid?

Mr. MARVIN. That was worked out from year to year by the Commission, and I think I can give you the main figures. It is estimated that \$1,000,000 would pay a subsidy next year to all American ships that would be engaged in foreign commerce.

Mr. LITTLEFIELD. Independent of the tonnage?

Mr. MARVIN. That is the tonnage subsidy, and the estimate was that it would rise at the end of ten years to about \$5,000,000; that it would increase in that ratio, increasing in ten years to about \$5,000,000.

Mr. HINSHAW. That is, under the bill as it passed the Senate?

Mr. MARVIN. Yes, sir.

Mr. BIRDSALL. Assuming that in a specific commerce between the United States and England you have overcome the difference in construction and maintenance, would there then be a profit in the business? It comes to that, apparently.

Mr. MARVIN. Yes, sir; the subsidy to the commercial steamer would enable American shipowners to compete on equal conditions with foreigners and earn a reasonable profit besides. That is their own statement to the Merchant Marine Commission, and it is verified by the fact that shipowners have plans already completed or in the process of preparation to build both steam and sail vessels of the cargo type in case Congress enacts this bill.

Mr. BIRDSALL. So far we have only provided against the difference in construction and maintenance. We have not provided against the subvention or subsidy granted by other countries which inure to their benefit as an item of profit?

Mr. MARVIN. I will say that we have allowed enough to cover the difference in the cost of construction and maintenance, and there is in this particular case a certain surplus left that would go to offset that.

Mr. BIRDSALL. It is your judgment, then, that the American ships could enter into competition with foreign vessels and make a profit out of the business?

Mr. MARVIN. Yes, sir. I would like to say, moreover, that this subsidy to the cargo vessel is not given by Great Britain; it is not given by Germany; it is not given by Norway; so that in the case of those countries, which are our greatest and most active competitors, there is no foreign subsidy required to be met by American subsidy. In the case of France, Italy, and Japan there is a subsidy to the cargo vessels.

Mr. HINSHAW. England and Germany give their subsidies to mail steamers?

Mr. MARVIN. Yes, sir.

Mr. HINSHAW. Mr. Campbell-Bannerman, in the House of Commons, was asked the question whether the ship-subsidy bill had passed the American Congress, and if so, what effect it would have on British business and what the Government proposed to do to meet it. He answered, if I remember, that it had not passed Congress, and when the question was presented it would receive very careful consideration.

Mr. MARVIN. Yes, sir.

Mr. HINSHAW. What would be the effect of the passage of this bill upon the future action of England and other countries to meet this competition?

Mr. MARVIN. Great Britain already subsidizes her mail lines, and she could not afford to retaliate if we subsidized our mail lines.

Mr. HINSHAW. She would not increase her subsidy?

Mr. MARVIN. Great Britain in order to meet our proposed subsidy to cargo vessels, a subsidy given at the outside to about 500,000 tons, would have to provide a subsidy for 12,000,000 tons, which is an impossible undertaking for the Empire.

Mr. HINSHAW. You think she would not subsidize the cargo vessels?

Mr. MARVIN. If she paid a pound a ton to her 12,000,000 tons of shipping, it would require an expenditure of \$60,000,000 a year to start with, and that is impossible.

Mr. SHERLEY. I would like to ask if the effect of the bill is not chiefly to increase the merchant marine in direct proportion only to the liberality with which the public Treasury pays to the shipowner?

Mr. MARVIN. At the outset, yes; finally, no. It is my firm belief that the commercial subsidy provided in this bill is a temporary expedient, and that it can be gradually reduced, and in the course of years altogether abandoned.

Mr. SHERLEY. Do you think that the wage, which is one and the chief reason for asking for a subsidy, will be decreased, so as to make less necessary the subsidy in the future?

Mr. MARVIN. I do not look for any lessening of the actual difference in the wages between American masters and British masters or between American seamen and British seamen, but I do look for such an improvement in the way of labor-saving efficiency on American vessels that the difference in cost of maintenance chargeable to the crew will lessen during the years. We once passed through such an experience, and I think after a certain number of years, without decreasing wages, we shall be able to carry goods as cheaply as any nation in the world.

Mr. SHERLEY. What limitations were there at that time in regard to the employment of labor?

Mr. MARVIN. The officers were required to be American citizens, and a certain portion of the crew were required to be American citizens.

Mr. SHERLEY. Was not the law very much less restrictive than it is now in regard to the employment of Americans?

Mr. MARVIN. It was more restrictive.

Mr. SHERLEY. How did the relative wage in America in other occupations compare with competing countries?

Mr. MARVIN. The relative wage in America was somewhat greater than it was in Europe.

Mr. SHERLEY. There was the same disparity that exists now?

Mr. MARVIN. I do not think that the disparity was as great as it is now.

Mr. SHERLEY. How soon do you contemplate that the improvement in the handling of freight would produce a saving to the American shipowners sufficient to offset the difference paid in wages?

Mr. MARVIN. It would require a number of years. It could not be done in two or three years. I think in ten years we should have made very great progress toward leveling up.

Mr. SHERLEY. What I am trying to get at is, are you not by your bill, instead of removing the cause which puts the American shipowner at a disadvantage, simply paying his loss out of the public Treasury and making the growth of your merchant marine dependent upon the sums that you are willing to pay to make up those losses?

Mr. MARVIN. I would put it in a little different way. I think that through this bill we are endeavoring to do for the American shipowner what the protective tariff does for the American manufacturer and in some cases for the American farmer.

Mr. SHERLEY. With this distinction, that in regard to the American manufacturer you are able to give him a protected sphere of operation, whereas in regard to the American shipowner he of necessity must go out on the high seas and meet competition where there is no protection.

Mr. MARVIN. If it were possible now to protect the American shipowner by the former method of discriminating duties and tonnage taxes, I for one would favor that, as the members of the Commission know; but it seemed to be regarded by the majority of the Commission as inadvisable.

Mr. SHERLEY. Would you not make a more permanent and rapid growth with your merchant marine if you made the condition under which the shipowner operated equally favorable for him as it is for other nationalities?

Mr. MARTIN. Do you mean that we should allow the American shipowner to buy his ships abroad free of duty?

Mr. SHERLEY. I am simply endeavoring to secure information and to arrive at the fundamental trouble. It seems to me that your present legislation looks simply to making up the loss that the shipowners now have in competition with others who are able to carry freight at a less rate, and we have undertaken to do away with the conditions that make the American shipowner operate at a greater expense than his competitor, and I would like to know if there is any suggestion in regard to putting the American shipowner on an exact equality of expense?

Mr. MARVIN. There has been careful consideration of that aspect of the question. One of the thoughts that were in the minds of the Merchant Marine Commission when it began its inquiry was whether the granting of registry to foreign vessels would help to solve this problem, and at every place the Commission visited it asked every witness who was a practical shipowner whether if Congress gave him the opportunity to go abroad and build his ship in Scotland instead of America he would avail himself of the privilege and bring his ship to this country and operate her in the foreign trade.

That question was put to scores of shipowners, and I think that not more than one or two answered in the affirmative. After the Commission closed its hearings letters were addressed by direction of the chairman of the Commission to all of the large American owners of foreign vessels, including the International Mercantile Marine Company, and they were asked whether if Congress allowed them to have registers for their foreign vessels they would bring them into this country, hoist the American flag, and operate them in the foreign trade. Every one of those owners without exception answered "no."

Mr. SHERLEY. The reason for that being the higher cost of operating the ships?

Mr. MARVIN. That was one of the factors in the problem. If the International Mercantile Marine Company should hoist the American flag on its ships the American law would require that its officers, both those that navigate the ship on deck and those in charge of a watch in the engine room, should be American citizens, and that would

increase the cost of the operation of the vessels, because the wages paid to such officers are higher in the United States than abroad.

Mr. SHERLEY. Suppose the American ships were freed from the present restriction in regard to officering ships and the labor on the ships, would they then be able to compete with the other nations?

Mr. MARVIN. They would not, because the higher cost of the American-built ships would be prohibitive.

Mr. SHERLEY. How long do you think that would be prohibitive?

Mr. MARVIN. I do not think that it would be prohibitive for a great many years.

Mr. SHERLEY. Do you not think, as a matter of fact, that it would be a very short time until we built ships as cheaply as anybody else?

Mr. MARVIN. We have waited forty years to build ships as cheaply here and we have not succeeded.

Mr. SHERLEY. But during that forty years you have had the prescription in regard to operating your ships which has made it prohibitive.

Mr. MARVIN. The requirement that a certain proportion of the crew should be American citizens was repealed forty years ago. There is no requirement at the present time that American ships, except those of contract mail lines, shall be manned by American crews.

Mr. SHERLEY. There is in regard to the officers?

Mr. MARVIN. Yes, sir.

Mr. SHERLEY. And in regard to other conditions which I do not know about?

Mr. MARVIN. There are requirements in regard to the amount and variety of the food, as to the space, and other features of the fore-castle, where the sailors live; and those requirements count somewhat in the cost of operating the ships.

STATEMENT OF MR. WILLIAM LIVINGSTONE, PRESIDENT, LAKE CARRIERS' ASSOCIATION, DETROIT, MICH.

Mr. LIVINGSTONE. I do not know that I can add anything of particular interest to the discussion. I am here at the request of Mr. Goulder, and more for the purpose of having you understand our position on the Great Lakes. I have heard it stated a number of times that we on the Great Lakes have no interest on the seaboard and are in nowise interested in our foreign merchant marine. I beg leave to state to you, Mr. Chairman and gentlemen of the committee, that that is an entire mistake, and although we are in no way pecuniarily interested on the Lakes in the merchant marine bill, at the same time we are very deeply interested in it as American citizens. On the Great Lakes and in the city, for instance, where I live, the river which flows by that city carries the largest tonnage of any stream on the navigable globe.

More tonnage passes up and down Detroit River than enters Liverpool, London, and New York City combined, and every vessel which carries that tonnage—the Canadian tonnage is so slight, not 5 per cent, that I will except it entirely—and in all that vast amount of tonnage the whole of it is carried in American vessels, built in American shipyards by American workmen, and on the masthead of every vessel flies the American flag. [Applause.] We believe in

this great country of ours, which is now the great commercial nation of the earth, and that it is our duty, as far as we can consistently, to help to promote the interests of this bill which is now before you in order to increase the great commercial prosperity of the United States. It would be impossible for me to give you the reasons why we believe this to be so without repeating some of the reasons that have already been advanced. The Merchant Marine Commission has taken a good deal of testimony, and they have obtained a very valuable mass of statistics and figures with which a good many of you are undoubtedly familiar, and it therefore makes it a very difficult proposition for me to advance any statistics with which you are not already fully acquainted.

But, as I have before said, we are the greatest commercial nation on earth. The time was when Great Britain was considered to have the best standard. That has gone by, and the United States stands "decks over," to use a nautical phrase, any other country on the face of the earth. American capitalists to-day hold, on an easy estimate, over \$200,000,000 of stock in foreign vessels. It seems to us, up in our "neck of the woods" at least, that some way ought to be devised by which that \$200,000,000 and over invested in foreign ships should be invested in American ships and helping build up the supremacy of the American nation. We have built up a navy and expended over \$200,000,000—I do not know how much more we will expend before we get through—to protect our commerce, and still we have none to protect. Other nations have built their merchant marine first, as a rule, and their navy next.

We are spending over \$250,000,000, and no one can say just how much more, in building the Panama Canal. It would seem to me and to others that if we keep on in the way that we are doing now we will arrive, when that canal is completed—those who live to see it completed—at the humiliating spectacle, unless one of our Government vessels should be sent down there, of a foreign vessel, flying a foreign flag, being the first vessel to go through the Panama Canal.

Mr. MINOR. And about the only one?

Mr. LITTLEFIELD. You had better make that amount \$350,000,000 instead of \$250,000,000. [Laughter.]

Mr. LIVINGSTON. I am willing to make it \$500,000,000. It is pretty difficult to estimate just what that canal will cost. We will have to build it first, and count the cost afterwards, I think.

Great Britain helps her ships to the extent of \$6,000,000, France nearly as much, Germany has just now started in with two million, and little Japan with over three and one-half million. Take poverty-stricken Spain, and, if I am correctly informed—I do not absolutely vouch for the fact, but I was told by a well-posted gentleman who has just returned from there—that Spain spends on one line about one and a half million dollars. It would seem, to us at least, looking back at the wise and beneficent statesmanship of one hundred years ago, and the legislation in the days of Madison, that there should be at least some of that wisdom and statesmanship left to enact laws that would accomplish in some way or by some method the reestablishing of the supremacy of the American flag upon the ocean. Since those coastwise laws were enacted political parties have come and political parties have gone. Administrations have come and gone; and although the law has been assailed, no party has

been strong enough or even dared to attempt to repeal it. Therefore I think it can be clearly called a nonpartisan law. And this is the part that we on the Lakes feel quite keenly, and are very anxious that it should be done, that in some way, in some manner, leaving it to your wisdom and judgment, a law or laws of some kind should be enacted that would, perhaps not in its entirety, but to some extent, protect American shipping and build it up in its commerce with the nations of the earth.

Take the trade of the round world and I think I am within bounds when I say that our domestic commerce, dealings within ourselves, amounts to some \$25,000,000,000. You can hardly grasp the immensity of it. It has been said time and again, I know, within the last year or two, by statistics, that no other country on earth has more than, if as large a supply as, six months' supply of food. The United States has always a supply more than sufficient to feed its entire 80,000,000 of people. I think the statement for 1905 in the annual report of the Agricultural Bureau shows that the value of farm products, not at the point of shipment, but on the farms themselves, exceeds \$6,000,000,000 in value. This would buy out the United States steel trust, provided the stock was sold at par, both common and preferred, six times over. It would pay the national debt of Russia and considerably over it. It would pay the national debt of France. We had over 55,000,000 of grain, bordering nearly on to 60,000,000, that we shipped from New York within a recent year, and not a single bushel of that was shipped in an American vessel.

Delegates to the Pan-American Congress had to travel by way of Europe to arrive here to attend that congress, although the direct route was some thousands of miles nearer.

We produce over 73 per cent of the petroleum of the world. We grow over three-fourths of the cotton that is used in the world, and, as I have before said, our farms yield more largely than any others on earth. Our boats on the Great Lakes unloaded last year in one single State—the port of Ohio—more ore than was produced in all the rest of the round globe put together. And notwithstanding the fact that we are protected in every way, that we have no competition with foreign commerce, our freights are the lowest and the cheapest on the face of the earth. Our average price for ore, approximately, last year was about eight-tenths of a mill per ton per mile.

Mr. MINOR. That is your freight?

Mr. LIVINGSTONE. Yes; that was a gross ton of 2,240 pounds.

Mr. MINOR. Mr. Livingstone, I dislike very much to cut off this interesting talk, but I understand that Mr. Tomlinson has got to go home to-night, and we should like to give him two or three minutes. Let me suggest to you that having, much against my will, to cut you off a little, we should be very glad to have you extend your remarks and leave them with the committee, and we will publish them. They are very interesting to us.

Mr. LITTLEFIELD. What is the proposition now?

Mr. MINOR. To hear Mr. Tomlinson, of Duluth, for about five minutes.

Mr. LIVINGSTONE. Mr. Tomlinson is thoroughly posted on both the grain and ore question from Duluth, and probably manages the largest unit fleet on the Lakes.

In conclusion, I want to state my reasons for coming here and occupying your time at all. I merely wanted to emphasize the point that we are taking an intense interest in what you are doing here, and that we on the Great Lakes are watching every move with this merchant-marine bill.

I presume there is no man around this table who has not traveled abroad, either across the sea or across the Canadian border, and I know the feeling of a true American when he comes back once more where he can see the American flag flying. It is as if the very air had blossomed into joy. When he gets back on to American soil he feels like going down on his knees and thanking God for that starry flag that sweeps the ground and touches the stars. [Applause.]

STATEMENT OF G. A. TOMLINSON, OF DULUTH, MINN.

MR. TOMLINSON. Some remark has been made about my coming from the "Zenith City of the Unsalted Seas." I come from the three Northwestern States, and the business of those States is the raising and shipping of grain. We ship about 100,000,000 bushels of grain and raw material—flour—through Duluth every year. Of course it is a very large proposition, and the reason that I am here to-day is to speak from the selfish standpoint as one interested in the transportation of grain.

A still, small voice says to the Congress of the United States that we want protection in the shipment of that grain to Europe, and that is our market. A very large percentage of it must be sold abroad. The price of wheat, when there is no one in Chicago fooling with it, is its value in Europe; and what we receive from it in Europe is determined by three elements—your rail transportation, your lake transportation, and your ocean transportation.

The Congressman on my left, when he was interrogating Mr. Martin a few moments ago, made a remark which I considered quite pertinent. He wanted to know why he was speaking about the development of our facilities. We have no facilities. We have no facilities for handling the grain. We have no brokers to represent American shippers. These are facts that anybody can readily understand. Our grain is shipped in about three months in the year.

MR. LITTLEFIELD. You mean the trans-Atlantic shipments?

MR. TOMLINSON. Yes, sir. The practical operation of selling a bushel of wheat is to sell it to some one abroad. The shipper in Duluth or Chicago must figure his rail freight, his lake freight, and his ocean freight. When he comes to figure on his ocean freight he comes up against the foreign brokers. We found last fall, with a large surplus to be shipped from Duluth, that nearly all the tonnage had been engaged by English and Canadian shippers. The result was that about 5,000,000 bushels of American grain was unsold at Buffalo, and about the same from Duluth, and the Canadian wheat went forward.

I have 10 large ships, varying from 10,000 tons capacity down, that are shipping grain from Fort William from the opening of navigation, and not a single charter for American ships from the port of Duluth.

If you give us American ships, we can get some consideration that will help us a whole lot in the Northwest.

Mr. SHERLEY. Do you think American ships will result in a reduction of freight rates?

Mr. TOMLINSON. I do not know, sir; but if we had American ships we would have American brokers, and we would have an equal chance on the options for fall shipments.

Mr. SHERLEY. You are speaking of the congestion in regard to ships for the carrying of grain?

Mr. TOMLINSON. Yes, sir.

Mr. SHERLEY. Do you mean to say to the committee that the grain could not be shipped because there were no ships to carry it, irrespective of price?

Mr. TOMLINSON. I will explain that—that the practice of all grain shippers or exporters is to take options or make bookings by the ocean ships.

Mr. SHERLEY. There is competition for those shipments, is there not?

Mr. TOMLINSON. Every American is trying to ship his grain, and the man in Canada is doing the same, of course.

Mr. SHERLEY. The ships themselves are seeking to get your freight, and there is competition, is there not?

Mr. TOMLINSON. In certain seasons; but the whole activity is in the fall.

Mr. SHERLEY. Your statement, then, simply relates to a special condition that exists sometimes in regard to congestion of wheat?

Mr. TOMLINSON. It relates to the transportation of nearly all our exports from Duluth. Our export wheat goes in the fall, amounting to 1,500,000 to 2,000,000 tons.

Mr. SHERLEY. What effect would there be on the freight rates if this bill went through and American ships were subsidized? Would it reduce the freight rates?

Mr. TOMLINSON. I am not prepared to say.

Mr. SHERLEY. If it did not reduce them, would it benefit you?

Mr. TOMLINSON. Yes, sir. If we had American tonnage and American brokers, they would give us an equal show on the booking of our exports.

Mr. MINOR. You think there has been discrimination in favor of Canadian wheat?

Mr. TOMLINSON. Yes, sir.

Mr. MINOR. The line that is operated by foreigners naturally tends to serve the foreign country, as compared with this country?

Mr. TOMLINSON. Yes, sir. That is exactly what I have been trying to indicate. I am not much of a speaker.

Mr. MINOR. An English line will give advantages to Canadian wheat that we do not get?

Mr. TOMLINSON. Yes, sir; that is it.

Mr. MINOR. They will serve those people better than they will serve us?

Mr. TOMLINSON. Yes, sir; and if we had American tonnage and American brokers, we would not be placed at that disadvantage.

Mr. MINOR. If there are facilities for one only, the Canadians get them and we do not?

Mr. TOMLINSON. Yes, sir.

Mr. MINOR. While that may not result in a reduction of the flat rate itself, it is a very serious disadvantage to your business?

Mr. TOMLINSON. Yes, sir. In speaking as I have, I speak largely for the transshipper.

Mr. SHERLEY. Do you think a foreign shipowner cares whether he ships Canadian wheat or American wheat?

Mr. TOMLINSON. The German business man has the same patriotic feeling that I have, or that anybody here has, I think.

Mr. SHERLEY. How far do you think those feelings enter when it is a question of price for labor done?

Mr. TOMLINSON. To this extent: I have a considerable fleet on the Lakes, and if a man had a load available and offered it to me from the Canadian side, and at the same time I was offered a cargo of grain from Duluth, I would take the Duluth cargo.

Mr. LITTLEFIELD. What was your experience during the Boer war with reference to your ability to ship products abroad?

Mr. TOMLINSON. I spoke before the Commission at Cleveland on that subject. I have not the facts here, and I should not like to go into that without being thoroughly fortified.

Mr. LITTLEFIELD. You would want to examine the details first?

Mr. TOMLINSON. Yes, sir.

STATEMENT OF MR. WILLIAM LIVINGSTONE—Continued.

Mr. LITTLEFIELD. If you desire to add anything to your statement you may have the opportunity to do so now, Mr. Livingstone.

Mr. LIVINGSTONE. I wanted to say one thing more. Some question was raised this morning about the time of building ships. Mr. McNeil's statement interested me very much. There was some talk about the time in which the *Dreadnaught* had been built, and I wanted to use it to show under the beneficent laws which we encounter up on the Lakes, the great advantages we have over our unfortunate brothers on the seaboard.

Mr. LITTLEFIELD. Just explain that in detail—how it is that you can build with greater facility up there than they can on salt water.

Mr. LIVINGSTONE. Simply from the fact that our shipyards are all full to overflowing with orders, and the men have steady work, and we have the very best machinery in the world. As Mr. Goulder has said to you, the American Shipbuilding Company is now the largest shipbuilding company in the world.

The statement was made about the *Dreadnaught's* building, for instance. I do not think that the case of the building of the *Dreadnaught* was entirely a fair example, for this reason—

Mr. LITTLEFIELD. That is a big battle ship?

Mr. LIVINGSTONE. The big British battle ship; yes, sir. I have heard her paraded all over the land, about how quick they built her—and they did make phenomenal time on her; but it is a matter of fact, which any gentleman can satisfy himself about by inquiry from proper sources, that before they started to build that ship they had all that material assembled, down to the very last screw that they required for its construction; so that she was built to make a record, and built under extraordinary circumstances, and had phenomenal advantages.

Mr. LITTLEFIELD. Do you mean by that that they had the parts all fitted?

Mr. LIVINGSTONE. I will not say that they had them all fitted, but

before they started to lay the keel of the *Dreadnaught* they had every single piece of material that was necessary to the construction of that ship on hand.

Mr. LITTLEFIELD. Ready on the spot?

Mr. LIVINGSTONE. Yes, sir; down to the minutest detail. In getting material to build ships anywhere you frequently do not get your material as fast as you want it; and they intended to make that a record breaker, so to speak, and they did. I am not detracting from their credit in any way, but I merely wish to state the facts connected with it.

So that, provided we have the same condition of affairs on this side, I am satisfied that American skill and American workmen could accomplish the same result; and I go a little further than some of my friends here. I think this: Without speaking in a derogatory way of workmen abroad, I think the statistics show that our best skilled workmen do turn out more work in a given number of hours than they do across the water. We pay more wages, but I think they earn them, as a general proposition. Where the conditions are right, I think now the difference between the cost of a ship built abroad and an American ship built at home has very largely disappeared, provided the conditions were right, so that there was a demand for the shops and for the men, to keep them steadily employed. Perhaps the difference in cost has not entirely disappeared, but to quite an extent.

Mr. LITTLEFIELD. I suppose the fact that they are now using a great deal more machinery in the construction of ships minimizes the difference somewhat?

Mr. LIVINGSTONE. Yes, sir; and, as I said before (and a demonstration of the facts would bear it out on investigation; it is a matter which has occupied a good deal of attention), I firmly believe that the ordinary American workman accomplishes more in a given number of hours than the foreign workman does. I think that can be proved beyond peradventure. To illustrate: Among the many ships that we build—I speak of this because she happened to hold the record—

Mr. LITTLEFIELD. You are speaking of one on the Lakes?

Mr. LIVINGSTONE. Yes, sir. Take a steamer called the *Joseph Butler*. Her keel they started laying on the 5th day of September, 1905. On the 5th day of November, 1905, just two months later, she was launched, and on the 25th day of November she left the shipyard finally completed, ready for business, for a cargo—two months and twenty days.

Mr. HUMPHREY. They beat that record the other day.

Mr. LIVINGSTONE. Yes, sir; I am coming to that. A steamer was launched in Lorain, called the *Harvey D. Goulder*, and, as far as the time from the laying of the keel to the launching is concerned, she beat that time by about three days. If the expectations of getting her ready for sea are realized she will shorten up that record by about five days. The *Butler* carried 10,000 gross tons of ore. I merely use these illustrations to show what could be done provided the conditions were the same on the seaboard as they are on the Lakes.

Mr. LITTLEFIELD. How much will the *Goulder* carry?

Mr. LIVINGSTONE. About 10,000 gross tons.

I will say this: That we have the lowest freight rates on the Lakes, notwithstanding that all our ships are built in American shops and

of American material and by American workmen; we have the lowest freight known on the face of the earth. We carry a ton of coal from Buffalo to Duluth, for instance, over 900 miles—roughly speaking, almost 1,000 miles—time and again for 25 cents; for the same price, for instance, that you would pay for having a ton of coal stored in your cellar after it is delivered at your curbstone by the local dealer.

Mr. LITTLEFIELD. That is partly owing to the fact that you have extraordinary loading and discharging facilities?

Mr. LIVINGSTONE. We have the best loading and unloading facilities in the world, unquestionably. If the same necessity existed, and we had the business on the seaport, we would find equal if not better facilities. They are increasing all the time.

Mr. SPIGHT. Are you prepared to state what the difference in the cost of construction of a ship on the Lakes is as compared with the same kind of a vessel in a foreign yard?

Mr. LIVINGSTONE. I can not answer that fully. Roughly speaking, our first-class modern ships, such as we are building to-day, to inspect A1 Lloyd's 100, up to the highest specifications, cost about \$35 a ton, I think. I am told that ships were built in the early part of last year in Great Britain for the lowest price that has been known in many years. I have not the data here. I have some data on that subject on the way. A friend of mine has written me a letter and stated that he would send the data later.

Mr. SPIGHT. Do you know what is the difference in the cost of operation on the Lakes as compared with American ships on the high seas in foreign trade?

Mr. LIVINGSTONE. I think 25 per cent.

Mr. SPIGHT. Higher on the Lakes?

Mr. LIVINGSTONE. Yes, sir.

Mr. SPIGHT. What causes that difference?

Mr. LIVINGSTONE. Labor is one element—quite an element in its way—and their system of running their boats is somewhat different from that on which we run them.

Mr. LITTLEFIELD. You mean that it would cost 25 per cent more in the foreign trade than in the lake trade?

Mr. LIVINGSTONE. No, sir; the reverse. It would cost 25 per cent more in the lake trade than in the foreign trade. You know they have a different system on the ocean from what we have here. For instance, when our vessels make a trip we ship the men for the round trip, and we do not discharge our men in port as they do on the ocean. You will notice when a trans-Atlantic liner strikes her dock that, with the exception of an engine crew and a few officers necessary to do certain work, the crew is discharged until she goes out again. And in addition to the lower price of wages which they pay, they effect a saving of quite a portion of the crew for the time she is in port. That does not apply to licensed officers. The claim is made—I do not know whether that can be substantiated entirely or not—but that as an average their food costs them less. And I know this to be so: That we pay our men better on the Lakes, we house them better, and we give them better food than any other place in the world. We give them much higher grade food than they do on the ocean vessels. We give them better quarters, and we take care of them in every way better than like services are taken care of at any other place on the face of the earth.

Mr. SPIGHT. And yet you have cheaper freights?

Mr. LIVINGSTONE. Yes, sir. I thank you, Mr. Chairman and gentlemen of the committee, for the extension of time.

Mr. LITTLEFIELD. We are very greatly obliged to you.

Mr. HUMPHREY. I ask that this telegram be read, Mr. Chairman, in order that it may go into the record.

Mr. LITTLEFIELD. The telegram is as follows:

G. A. TOMLINSON, *Washington, D. C.*:

Board of trade to-day adopted resolution favoring passage Senate bill 529, known as the Gallinger bill.

H. B. MOORE.

Mr. HUMPHREY. Mr. Moore is the secretary of the Duluth Board of Trade.

COMMITTEE ON MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Friday, April 6, 1906.

The committee met this day at 10 o'clock a. m., Hon. Edward S. Minor in the chair.

Mr. MINOR. The committee will be in order. I understand there are one or two gentlemen present who desire to be heard, and without objection we will now hear from them.

Mr. JOHN MCNEIL, of Kansas City, Mo. Mr. Donohue, of the Pacific coast, is ready to speak.

Mr. MINOR. Please give your name, occupation, and place of residence.

STATEMENT OF MR. PATRICK J. DONOHUE, OF SAN FRANCISCO, CAL., NATIONAL VICE-PRESIDENT BROTHERHOOD OF BOILER MAKERS AND IRON SHIP BUILDERS OF AMERICA.

Mr. DONOHUE. My full name is Patrick J. Donohue; I live in San Francisco, and am a boiler maker.

Mr. MINOR. Very well. Proceed.

Mr. DONOHUE. Mr. Chairman and gentlemen, I have been instructed through our national organization, of which I am one of the grand vice-presidents, to come before this committee to plead before you for what is known as the Gallinger bill, now pending before you.

In the last ten or twelve years we have been sending resolutions to this Congress here in Washington, and it seems as though our labors have been in vain in the past, and our organization thought it would be better to send some one here in person to plead before the committee, so that you would have a better understanding as to what we really want.

I have been with our organization for fifteen years, but not in the capacity of a national officer, except in the last two years. Two years ago I was elected to the office of vice-president. Since that time I have been up and down the Pacific coast and through our western country almost entirely, covering practically every inch of ground in the West on the other side of the mountains, and I know the conditions that exist there, compared with what they were ten years ago; and I want to say, gentlemen, that in our trade particularly the work

has fallen off to such a degree that we can be counted as practically doing nothing out there.

Our men formerly employed in building ships are, as has been stated here before by Mr. McNeil, walking the streets now or seeking employment as against the common laborer. We had in the past, out there, some of the best mechanics of Europe, men from England, Ireland, and Scotland, who, as we all know, are the best shipbuilders in the world. We have had a great many of these men in the past year or two go back to their native land because of the fact that there is no work in this country to provide for them. At the same time we see shiploads of Japs coming in there to take the place of common laborers. That places the people on the Pacific coast, especially those engaged in this particular class of work, in a bad predicament.

Now, we built ships out there for the Government, ships such as the *Oregon*, which has made the greatest record of any boat ever produced. You remember in the last war she ran 28,000 miles without a break or hitch in her machinery of any description, and that goes to prove that we can build boats out there, if we are given the opportunity. But we can not build them if we do not get them to build, and we can not build them any cheaper unless the machinery is put there for us to run that will give us any comparison with the shipbuilding of England. We can not stand for a reduction of our wages at all, because we are now working as low as, or even lower than, the average mechanic of the United States in other trades. Of course, it costs more to build a ship in this country, as we all know, than it does in Europe, but still the rate of living is a great deal higher in this country, probably 20 per cent.

MR. GOULDEN. What are the prevailing wages on the Pacific coast in shipyards for such men as you represent?

MR. DONOHUE. Our wages as day workers would be about \$3 a day in shipyards.

MR. GOULDEN. For piecework how much more would it be?

MR. DONOHUE. On piecework you can make as high as \$4.50 a day when you work, but you do not get it regularly. Every rainy day that comes along prevents you from working, and the man who has the contract always likes to have enough work on hand to keep his men going.

MR. GOULDEN. Does your union regulate the rate of wages of union men in those shipyards or all the men that work there?

MR. DONOHUE. We try to, to the best of our ability. We try to regulate that, but sometimes we do not regulate it entirely, as we would like to.

MR. GREENE. As I understand it, your organization is affiliated with the American Federation of Labor.

MR. DONOHUE. Yes, sir.

MR. GREENE. Did your organization have any representative present when the American Federation of Labor decided to oppose this bill?

MR. DONOHUE. Yes; we have always had representatives present at all the conventions.

MR. GREENE. Was any protest made by any of your people against the action of the American Federation of Labor?

MR. DONOHUE. We have been fighting the American Federation of Labor for years on this very same thing. We have always stood for

the subsidy bill, always; because we are the people directly involved in this bill. Fifty per cent of the men who build the boats are either boiler makers or shipbuilders, so that you see we are the closest people to the bill, because the other mechanics in other trades are only indirectly connected with the work.

Mr. GREENE. What I wanted to get at was the position taken, according to the newspapers, in regard to this bill by the American Federation of Labor.

Mr. McNEIL. Can I answer the question, Mr. Chairman?

Mr. GREENE. Yes.

Mr. McNEIL. As I was national president of the Brotherhood of Boiler Makers and Iron-Ship Builders of America at that time, I am more familiar with the question than the gentleman who is before you. When the first bill, known as the "Hanna-Payne bill," was introduced the American Federation of Labor met in the city of Detroit, and we had two men there, the national secretary—

Mr. GREENE. I am talking about the present year.

Mr. McNEIL. We had a fight with them, and to show you that the organization—our organization—is highly in favor of it, I will mention that they are committed to the bill in their constitution. One of the clauses in the constitution of the organization is to assist in every way possible to have such legislation become law.

Mr. GREENE. That was at the time of the Hanna-Payne bill?

Mr. McNEIL. At the present time.

Mr. GREENE. How are we to understand this statement about the American Federation of Labor in opposition to this bill, in circulars sent out recently?

Mr. McNEIL. The American Federation of Labor is a body of all crafts and callings in the country, and there is as much diversity of opinion there as there is in the House here.

Mr. GOULDEN. What is the membership of the American Federation of Labor, according to last report, approximately?

Mr. McNEIL. They claim 1,500,000.

Mr. SPIGHT. How many men are there in your organization?

Mr. McNEIL. Fifty thousand. Our organization, the Brotherhood of Boiler Makers and Iron-Ship Builders of America, is composed entirely of riveters, fitters, calkers, smiths, boiler makers, and boiler makers' helpers.

Mr. SPIGHT. Is there any other membership of the American Federation of Labor, except your own, that is favoring this bill?

Mr. McNEIL. I would not like to answer that question.

Mr. GREENE. What I wanted to get at was whether there was any special discussion upon this bill, or whether that was determined by arbitrary action, or what was it?

Mr. McNEIL. There was no discussion in the last meeting of the American Federation of Labor on that bill. The subject was not brought up.

Mr. GOULDEN. When was the last meeting?

Mr. McNEIL. March 24.

Mr. GOULDEN. Did you take any action at that time?

Mr. McNEIL. No, sir; because we are committed to it in our constitution.

Mr. GREENE. The constitution of your organization?

Mr. McNEIL. Yes. Since that time the executive council of the Brotherhood has met in Chicago, and they have sent these men down here before your committee.

Mr. GOULDEN. Was the matter taken up in your convention at Kansas City at all?

Mr. McNEIL. No, sir.

Mr. GOULDEN. No discussion at all?

Mr. McNEIL. No, sir.

Mr. GREENE. What I was trying to arrive at was the discussion that brought out this statement by the American Federation of Labor, that they were opposed to this legislation because it was class legislation.

Mr. McNEIL. I do not know that it has been taken up at any meeting of the American Federation of Labor since the convention at Detroit. It was then voted down, that resolution was; and I think at that time that the only men who supported the measure were the two delegates we presented, representing the Brotherhood of Boiler Makers and Iron Shipbuilders of America. I think they were the only two.

Mr. GOULDEN. What year was that convention at Detroit?

Mr. McNEIL. I think it was 1899.

Mr. MINOR. It makes it perfectly clear. The great body of the American Federation of Labor has not taken any action, but the national officers assumed authority to speak for two or three millions of men, and resolved themselves into a committee, and sent out these circulars?

Mr. McNEIL. Yes. ♦

Mr. MINOR. If it distrubs you to answer questions in the course of your remarks, simply say so, and the members of the committee will indulge you, I know, by simply making memoranda and then ask you questions afterwards. I will refrain myself, if you desire?

Mr. DONOHUE. That is all right.

Now, in regard to the American Federation of Labor, they speak entirely as a council in opposition to this bill, because they have never passed, to my knowledge, any resolutions against the bill in any of the conventions, although there is some opposition to the bill within the council. I do not know of any reason why there should be, of course, unless it is that there are other influences brought to bear entirely upon the council of which we have no knowledge.

There is not a class or calling in the United States to-day that will not be benefited by this bill if it passes. As a gentleman stated yesterday, I think, the subsidy would amount to about \$1,000,000 the first year after this bill was passed, and I am sure that with a population of 80,000,000 of people in this country the per capita cost would be so small as to be hardly noticed. In fact, I would be willing to pay my per capita in the next hundred years upon that bill if I got a chance, because I realize, gentlemen, that we as shipbuilders and mechanics have either got to go out of business in the United States or go to some foreign land and seek employment, unless there is employment given us in this country.

It is certain that we will not work as cheaply as in Great Britain or any foreign country, because, as I said before, the living cost is so much greater here that we can not afford to do it; and there are other callings outside of this trade in which a man could make as much and

even more than at shipbuilding, if he was required to work as cheaply as they work in the old country.

There is building now about seven ships for the foreign trade in the United States, and last year we built seven. In 1892 we built twenty-three ships, and each year we have been dropping off until we have been building about one-third of what we were six years ago, and our trade with foreign countries has increased about \$1,206,000,000, or something like that, or one-third greater than it was six years ago, in spite of the fact that our shipbuilding industry has dropped off to one-third or one-fourth.

So you see, gentlemen, it throws a great many of our men out of employment. We should have in our organization at least 100,000 men in the United States, as compared with the area of our coast and the amount of shipbuilding that should be done in this country; but we find, of course, that most all the boats are being built over there, because of the fact that the shipowners can get them built over there cheaper, and I do not blame a man for going over there to get them built if he can get them done cheaper, because national pride will not amount to much when it comes to a money matter. A man will go where he can get what he wants at the lowest cost.

Now, it developed here the other day that we can build locomotives cheaper here than in the other country. I have not seen that fact proven. Although we are sending locomotives to all parts of the world, that does not say that we are building them cheaper. But I do know we are building them better and quicker than in any other country, because in the Baldwin Locomotive Works at Philadelphia, for example, they have the most modern machinery and up-to-date mechanics, and in addition several patent rights on machinery that other countries have not got; and in that way we can build locomotives better and a great deal cheaper than in other countries.

Mr. SPIGHT. If you can not build them cheaper, why is it that locomotives built in this country are shipped to foreign countries in competition with foreign-built locomotives?

Mr. DONOHUE. Because they are better locomotives.

Mr. SPIGHT. If they are better, they are cheaper?

Mr. DONOHUE. Yes.

Mr. SPIGHT. And therefore you compete with them?

Mr. DONOHUE. Yes.

Mr. SPIGHT. Why can you not do that in the other work?

Mr. DONOHUE. Because it is an entirely different matter altogether. The ship is built right on the ocean, and is ready for business as soon as it comes off the stocks. It does not make any difference whether it is on this side the dock or on the other side. If a man were building boats on one side and another man were building boats on the other side, and the builder on one side was paying 25 cents as a subsidy for all that was being built and the other fellow was not paying anything as a subsidy, the workman would move over the line to the side where the subsidy was being paid.

Mr. SPIGHT. I understand you base your argument for this ship-subsidy bill on the ground that it would give more and better employment for more boiler makers and engine builders?

Mr. DONOHUE. Yes, sir.

Mr. SPIGHT. Now, then, do you think that it is entirely strange that men engaged in other occupations should object to being taxed

for the purpose of giving to your men greater benefits? I am not asking you whether it is right, but are you surprised that others object to it?

Mr. DONOHUE. I am surprised that the head of the other organization that has objected to it should do so, and I do not think the great mass of men in this country would substantiate his objection if it was put to a fair trial.

Mr. SPIGHT. The national officers of the American Federation of Labor take a different view of it.

Mr. DONOHUE. They say that the bill is not a good one, but I do not believe the majority of men belonging to the Federation would uphold them in that opinion if it was put to a fair trial.

Mr. SPIGHT. Do you know of any other organization in the American Federation of Labor that is in favor of this bill, except yours?

Mr. DONOHUE. I am not familiar with the views of other men on this, except that by talking with them personally in my work and business I have found but very few men who have objected to the bill.

Mr. GOULDEN. Were you a member of that Detroit convention?

Mr. DONOHUE. No, sir.

Mr. GOULDEN. Were any of these men here present members of it?

Mr. McNEIL. I was present at the time, and Mr. Gilthorpe, and Mr. Fitzgerald, of Chicago, were present.

Mr. GOULDEN. Do you know how their votes were recorded?

Mr. McNEIL. Their votes were recorded as in favor of the ship-subsidy bill known as the Hanna-Payne bill.

Mr. GOULDEN. Are you represented in the grand council of which Mr. Gompers is at the head? Have you a representation in that grand council?

Mr. McNEIL. No, sir. We have never held office in the executive board of the American Federation of Labor.

Mr. GOULDEN. How is that made up?

Mr. McNEIL. It is composed of delegates from the various crafts and callings who receive the highest votes when the election comes off in the convention.

Mr. GOULDEN. How many are there of them?

Mr. McNEIL. I think there are seven now. They sometimes increase them. As they increase the membership they increase the officers. I think there are seven officers now besides Mr. Gompers and Mr. Morrison.

Mr. GOULDEN. Are they authorized by the constitution to speak for the organization?

Mr. McNEIL. They are not authorized to speak for any organization unless that organization appeals to them for assistance. All organizations are supposed to do all their own work, and when they are unable to settle anything or do some work then they appeal to the American Federation of Labor, but the American Federation of Labor will not volunteer within the jurisdiction of any affiliated body without appeal.

Mr. SPIGHT. When these representatives meet in this grand council, whatever it may be, who are they supposed to represent?

Mr. McNEIL. They are supposed to represent the organized labor of the country and the affiliated bodies.

Mr. SPIGHT. They are sent there for that purpose, and are empowered to do that?

Mr. McNEIL. Yes; they are elected for that purpose.

Mr. MINOR. Let me ask you in that connection, in connection with the question that Mr. Spight propounds: Are they authorized in that council to prepare a resolution purporting to come from the great body of the American Federation of Labor and send it out to the country as the expression of 3,000,000 laboring men? That is what we want to know.

Mr. McNEIL. Well, Mr. Chairman, I have never known the American Federation of Labor to do anything they were not authorized to do.

Mr. MINOR. By whom?

Mr. McNEIL. By the parties who call upon them for assistance.

Mr. MINOR. Did your people, then, call upon them?

Mr. McNEIL. No.

Mr. MINOR. They are acting for you.

Mr. McNEIL. We as a national body of ourselves have sent out pamphlets in support of the bill. We have sent letters to every chairman of the Democratic and Republican bodies before their election; we have sent to all States and cities and, in fact, some counties, trying to have them work up a sentiment in favor of the shipping bill. I do not know of the American Federation of Labor ever sending in anything derogatory to such a policy, and I know they never were authorized by the Brotherhood of Boiler Makers and Iron-Ship Builders of America to send out resolutions opposing the bill.

Mr. MINOR. That disposes of that matter.

Mr. DONOHUE. I was saying a while ago that on the Pacific coast our men were practically out of employment. We have about 10,000 men on the Pacific coast who directly or indirectly come in contact with this class of work, and out of that number, 10,000 men, hardly 50 per cent are now employed at their calling. Therefore it goes to show that there is something radically wrong somewhere with the ship industry in this country. It does not make much difference to the boiler maker or the man who does the work whether the ships are subsidized or not, or who builds them, so long as they are built in this country at a good rate of wages and under fair conditions. But naturally we must look to the protection of the man who builds the boats as well as ourselves. Otherwise he would be unable to give us good wages and short hours.

At the last council, at Kansas City, directly after our convention, the council ordered resolutions adopted, as expressing the sentiment of the brotherhood in regard to this question, and I myself and Brother Murtha here, were elected as a committee to draw up these resolutions. I have a copy of them here, gentlemen, to present them to you, and if it is not objectionable I would like to have them read.

Mr. MINOR. You can read them yourself, if they are not too lengthy, or you can hand them to the stenographer and he will insert them.

Mr. SPIGHT. I understand you to deny the authority of the grand council of the American Federation of Labor to issue this pronouncement against the ship-subsidy bill?

Mr. DONOHUE. I have not denied it. I am not familiar enough on that question to deny it, but I would say that I would like to deny it.

Mr. SPIGHT. What I want to get at is whether you recognize the authority of the council to make this pronouncement.

Mr. DONOHUE. I think they are overstepping their authority.

Mr. SPIGHT. They are exercising an authority not conferred upon them—is that your position? Have they overstepped their authority in taking this position?

Mr. DONOHUE. I feel that they have, to a certain extent. I feel they have overstepped their authority without consulting the people directly interested in this bill. As I said before, we compose 50 per cent of the people who actually work on these boats, and we are certainly the people to look to first. Therefore, if other people take it into their hands, regardless of the fact that they are at the head of two or three millions of people, I do not feel that they should assume the authority to act in that way, in view of the fact that they know we have always been opposed to their actions in regard to this bill.

Mr. SPIGHT. Do you think those 2,000,000 or more engaged in other occupations who are opposed to this ought to yield their views to the 50,000 that you represent?

Mr. DONOHUE. Yes; because the 2,000,000 men are composed of carpenters and miners and teamsters and buttonhole makers, and everything else.

Mr. GREENE. And cotton operatives?

Mr. DONOHUE. Yes; and they should have nothing to say with regard to the building of ships. They have nothing to do with it.

Mr. SPIGHT. Except to pay the tax?

Mr. DONOHUE. Yes.

Mr. PATTERSON. You think these buttonhole makers and teamsters should be taxed to support your wages?

Mr. DONOHUE. Yes. I am willing to be taxed to keep up the wages of the American workman, whoever it is, and I think others should feel the same way.

Mr. PATTERSON. Not by a tax, but by a subsidy?

Mr. DONOHUE. Yes; if it is necessary in order to compete with foreign countries to build these boats, as it is shown to be, I say we should subsidize our ships, so that we can be on an equal footing; and the subsidy, as I said before, will not amount to much per capita—less than 1 cent a year; and I think we can afford to do that.

Mr. MINOR. Do you want some one to read that for you?

Mr. DONOHUE. I will be glad to have it read.

Mr. MINOR. Unless objection is made, Mr. Marvin here, who is a very good reader, will read the letter.

Mr. PATTERSON. There is another question I would like to ask of Mr. McNeil. I believe you stated a moment ago that the reason why the American locomotive builders could compete successfully with foreign competitors is because they build better machines than are built abroad?

Mr. DONOHUE. They build much better locomotives.

Mr. PATTERSON. Are the American locomotive builders better workmen than those who work on the ships?

Mr. DONOHUE. They are. There is a great deal of common, ordinary work done in shipbuilding that can be done by men of moderate intelligence.

Mr. PATTERSON. I am talking about boiler makers and shipbuilders and men who make fine machinery.

Mr. DONOHUE. We do just as good work on our boats as any shipbuilders in the world.

Mr. PATTERSON. Ought you not to do better than foreign ship-builders, even as your locomotive builders build better locomotives than the foreign builders, or than anybody else in the world?

Mr. DONOHUE. It is not because of any special ability as mechanics, but because of the locomotive itself.

Mr. GREENE. Does it not follow that the locomotive builders are better qualified to do their work because of the fact that they are constantly employed in their work, and therefore are better qualified than those who are employed perhaps one month at shipbuilding and then three months at hoeing corn, and then back a month at shipbuilding and then, perhaps, the next three months digging sewers?

Mr. DONOHUE. Yes, sir; that is what makes mechanics—constant employment, continuous employment.

Mr. GREENE. I find in my own section of country that the mechanics constantly employed are the most capable. Those of shifting employment are not so capable. Is it not a fact, with regard to the locomotive business as compared with the boiler makers on ships, that the boiler makers on ships in this country are employed only occasionally, and have to take up other employments in order to earn bread for their families?

Mr. DONOHUE. Yes, sir.

Mr. MINOR. If there is no other question to be propounded at this moment, Mr. Marvin will read this letter.

Mr. SPIGHT. Let me ask you right there: What is the date of that letter?

Mr. WINTHROP L. MARTIN, of Boston, Mass.: March 20, 1906.

Mr. WILSON. Did you not send a copy of that letter to all the members of the committee?

Mr. DONOHUE. No, sir.

Mr. HUMPHREY. I did not get a copy of it.

Mr. DONOHUE. The locals may have sent it, not the grand lodge.

Mr. MCNEIL. I might make a remark that would put it in a better light in the minds of the committee here. You see that date? That date was slightly after the date when the convention adjourned in Kansas City. That is the date when that was written.

Mr. SPIGHT. I understood you to say, a while ago, that in that convention this subject was not discussed.

Mr. MCNEIL. That was not the convention. This is the council.

Mr. SPIGHT. That is the council speaking for a convention at which this question was not discussed?

Mr. MCNEIL. That was by the council after the convention adjourned.

Mr. SPIGHT. Yet you complain that the grand council of the American Federation of Labor spoke without authority.

Mr. MINOR. What council is that?

Mr. MCNEIL. The grand council of the Brotherhood of Boiler Makers and Iron Ship Builders of America.

Mr. MINOR. That clears up your question.

Mr. SPIGHT. It may, from your standpoint, but not from mine.

Mr. GOULDEN. How many members make up the council?

Mr. MCNEIL. Five at present. There were seven. The vice-president, the national president, and the national secretary are on it.

Mr. MINOR. Proceed with the letter. It is long.

Mr. MARVIN. (Reads:)

BROTHERHOOD OF BOILER MAKERS AND IRON SHIP BUILDERS OF AMERICA.

HON. CHARLES H. GROSVENOR,

Chairman House Merchant Marine and Fisheries Committee,

Washington, D. C.

DEAR SIR: I am instructed by the grand officers of the Brotherhood of Boiler Makers and Iron Ship Builders of America to acquaint you with the following facts:

1. Our organization is heartily in favor of the pending ship-subsidy bill, known as the Gallinger bill, which passed the Senate on February 14, and which we understand is now in the hands of your committee.

2. Our brotherhood has a membership of nearly 50,000 men, who work in shipyards and boiler shops, when there is employment to be had. We are directly concerned, therefore, in having ships built in this country for our foreign carrying, as it means for us work at our trade at the American standard of wages. To-day nearly one-half of our members are unemployed because they can not obtain work at their trade. This is due to the fact that no ships are now built in the United States for our foreign trade.

3. More than 20,000 members of this brotherhood are therefore compelled to seek work at other trades, in which they are unskilled, thus, to their regret, coming in direct competition with the men bred to and skilled in those trades. An end would be put to this condition, alike helpful to our craftsmen and those in other trades, if we built the ships in this country, as we can and as we should do, that are required for our foreign carrying.

4. We fully realize that it is the rates of wages that are paid to the men who work in the shipyards of the United States which render it impossible for ships to be built in this country as cheaply as they are built abroad; that the wages paid in our shipyards are about double those paid in foreign shipyards, and that little if any more labor is performed in a day by men in this country in the shipyards than is performed by men in the same trades in the shipyards of other countries. The reason for this is the irregularity of work and the long spells of idleness or resort to employment in other trades, forced upon our craftsmen—a condition that would be remedied and would speedily result in a greater amount of work and more efficient work through steady employment.

5. It is idle to suggest to the men in our trade that they accept the foreign rates of wages in order to secure the building of ships in this country for our foreign trade. We feel that we are entitled to the American standard of wages; we demand it, and we will not accept less than that rate. We know that in a great many cases the high wages enjoyed by men in other crafts are due to the protection they are afforded through the operations of the protective tariff, without which protection they could not receive employment at their trades. Since it is the policy of the Government to so protect men in other trades, where the product of their labor comes into competition with the product of foreign labor, as to enable them to enjoy the high American standard of wages, it is the duty of the Government to be equally considerate of the men in our trade and to protect them against the competition of the product of men in the same trade in other countries. This would insure the men of our craft steady employment at full wages, through the creation of such a demand for American-built ships as will result in their construction in large numbers.

6. There is no reason why the Government should say to the men employed in the building of ships for our coastwise and domestic trade: "We will protect the vessels you build against any foreign competition, and thus assure you the full American standard of wages," and expect men employed, probably in the same shipyards, to be willing to work for half wages in order to thus secure the construction of ships in this country for our foreign trade. It must be obvious to you that this is utterly impracticable, and we assure you that it is. The wages in American shipyards are fixed by the employment of men in the building of ships for the coastwise and domestic trade—a prohibitively protected trade—and it must be obvious to you that the men who will build ships for our foreign trade will demand, and will only be satisfied with, the wages paid to their fellow-craftsmen employed in building ships for our domestic trade.

7. The members of this brotherhood have long felt that they have a just grievance against the Government for its unfair discrimination against and neglect of the men employed in the building of ships in the United States.

We are good and worthy citizens, proud of our country and its flag, proud of its industries and its institutions, and determined to share, on the same plane with the rest of our countrymen, in the prosperity so generally diffused throughout the country. This is denied to us. Thousands upon thousands of our members are walking the streets looking for work at our trade. Ours is the one trade that the Government seems to have selected to deny to its workmen the same consideration, the same protection, the same wages, that are enjoyed by their craftsmen in other trades. We ask why?

8. It is no use to tell us to look for employment in other trades. We want employment at our own trade. It is a good trade, an honorable trade. We are educated to it. We are skilled in it. In any other trade we should become unskilled and low-wage men. This we do not want.

9. If you will protect American ships in our foreign trade in competition with foreign ships, as you do every other industry in this country that is subject to foreign competition, the cost of building ships will in a short time be brought down measurable to the level of the foreign cost, and without any reduction in the rates of wages paid to the men employed in the shipyards. In doing this there would follow a substantial reduction in the cost of building our war ships, resulting in a saving to the Government that would probably bring back each year, in the reduction effected in the construction and repair of your war ships, more than the amount of the subsidies and bounties paid to our shipowners.

10. In substantiation of this we would refer you to the last message to Congress—that of 1896—of former President Cleveland, in which he congratulated the United States upon the fact that our war ships could be built as well and about as cheaply in the United States as in foreign countries. The reason for this is plain: Fourteen years before a demand had been created in the United States by the Government's announced determination to have its new Navy built of American materials, from American designs, by American workmen, in American shipyards. Capital responded; shipyards were established; keen competition ensued between rival builders; skilled mechanics were employed; the employment was steady and continuous, and at the prevailing rates of wages in the United States. The result was that these combinations of capital, brains, and skill, together with the continuous employment caused by the steady demand for war ships, and to the intelligent distribution of the building, that the Government in 1896 was able to demonstrate precisely what would occur in respect to merchant ships if a similar policy was adopted, and as we are convinced would follow the enactment of the Gallinger shipping bill.

After a few years of steady employment we should then be able to build merchant ships as cheaply in this country as they could be built abroad, without any reduction in the American standard of wages paid to the men of our trade employed in the shipyards. We ask why we are not entitled to such protection of the products of our labor—the finished ships—in competition with the foreign ships now employed in our foreign carrying?

11. We make no appeal for capital. It needs no protection. If it does not find profitable employment in American-built ships, very readily it finds investment in foreign-built ships under foreign flags, where it earns the same profits that foreign-built ships owned by foreigners earn. There has been ample evidence of this truth in the foreign tonnage owned by American citizens, now running under foreign flags with alien masters, officers, and men. Such investment means employment for foreigners. It means idleness for us. It means profit for American capital and loss for American labor. It means strength for the foreign governments in the countries where the ships are built, and whose men officer and man them, and it means weakness for the United States that is denied the protection of the ships and their men in time of trouble.

For these reasons, which we regard as sound, logical, patriotic reasons, Mr. Chairman and gentlemen of the Merchant Marine and Fisheries Committee, and members of the House of Representatives, we again appeal to you, as an organization that will benefit more directly and widely from the passage of the Gallinger shipping bill than any other body of men in the United States, to give to the Gallinger shipping bill your hearty and unanimous support, as in the interest of American labor.

Respectfully, yours,

P. G. DONOHUE,
National G. V. P.,
THOMAS MURTHA,
National G. V. P.,
Committee.

Mr. HINSHAW. Mr. Chairman, I regret that a very urgent call to see the President this morning prevented me from getting here. I am very anxious to hear this testimony. Perhaps the witness will recapitulate what he has said, and I would like to ask some questions.

Mr. MINOR. Mr. Hinshaw would like to ask you some questions, Mr. Donohue.

Mr. HINSHAW. Do you know anything about the cost of materials that enter into the construction of American ships as compared with English, German, and Norwegian ships?

Mr. DONOHUE. I am not posted enough upon that to answer that question; but I want to say it does not make much difference to American laboring men as to the cost of material. We do not have a chance to catch onto these figures. All we ask is a fair wage. We do not care how cheap the material is or what the material costs to build the ships. That is not the important consideration to us.

Mr. HINSHAW. It makes a difference in the cost of production of ships in American shipyards, and I suppose it is therefore an element to be considered in this matter. Some one here yesterday said that there was really no difference in the cost of material in the United States and England. I do not know about that.

Mr. MCNEIL. Mr. Chairman, Mr. Donohue has been working considerably in the boiler department, and he has not kept track of it. Perhaps I might be considered as a little better posted upon that particular point than Mr. Donohue.

Mr. HUMPHREY. I would like to ask this gentleman a question or two before he yields. Are you through, Mr. Hinshaw?

Mr. HINSHAW. Not nearly through.

Mr. MCNEIL. I will say, gentlemen, you are aware that the cost of steel and most all of the other large commodities fluctuates. It is sometimes to-day greater and higher than it was yesterday, but I can give you a case in point, showing that we built two boats in this country, sister ships of two boats built in Belfast, Ireland, by Harland & Wolff. The ships in this country cost forty-seven thousand and some odd dollars more, each of them, than their sister ships built in Belfast, Ireland, and the material was then selling in this country at \$2 a ton less than in Belfast, Ireland. That goes to show that it is not the material that is the stumbling block as to shipbuilding in this country, but that it is the high rate of wages of the American mechanic.

Mr. HINSHAW. It was stated on the floor of the House of Representatives yesterday—and we have heard it repeatedly stated elsewhere—that steel was sold in the markets of the United States 25 or 30 per cent higher than the same identical steel could be delivered by American producers on the Clyde. Do you know anything about that situation?

Mr. MCNEIL. That might possibly be, but if the gentleman who made that statement found it denied he would possibly qualify it. We know that a man does not desire to qualify a statement voluntarily and thereby not make a point for himself. He will not do it.

Mr. MINOR. Let me suggest an answer to this question, and it will not disturb you a bit. It is just what you are looking for. The fact is there is not one cent of duty on steel imported that enters into the construction of a ship in all foreign shipyards.

Mr. HINSHAW. I know that.

Mr. MINOR. That settles it.

Mr. HINSHAW. Now, Mr. Chairman, this inquiry has only begun. We are not at the end of this inquiry at all, and because a shipping commission was authorized last year and inquired into all this business it is not going to be counted as an answer to me, as a member of this committee—an answer to this question at all.

Mr. MINOR. These gentlemen have nothing to do with tariff laws. Congress is responsible for the tariff laws. I believe there is a great wrong, and, in my judgment, there should be a great reduction on steel. I say that as a Republican. But two wrongs do not make one right. If Congress has been wrong in keeping the tariff on steel, these men are not responsible for it.

Mr. HINSHAW. I protest, when the witness is being asked a question in this committee, against some member of the committee undertaking to answer for him.

Mr. MINOR. I think we can make a reply, and I shall exercise that right.

Mr. HINSHAW. If this witness can not answer, we will get some who can. You say [addressing witness] that the difference in the cost of the American and foreign ships is chiefly, if not entirely, in the labor cost?

Mr. DONOHUE. I feel there naturally must be a great deal of difference in the labor cost when our prices are so different.

Mr. HINSHAW. This communication, as I understand it, says that when protection is afforded to American shipping, eventually American ships can be built just as cheaply as foreign ships after you workmen have had a great deal of experience in the building of American ships. Is that true?

Mr. DONOHUE. I feel that way; that we will become more proficient as time flies. We will become better mechanics.

Mr. HINSHAW. Your men are engaged now in making American ships for the coastwise trade?

Mr. DONOHUE. Yes.

Mr. HINSHAW. They are proficient, thoroughly proficient, as much so as the foreign workingman?

Mr. DONOHUE. In this particular branch of trade I think they are.

Mr. HINSHAW. Wherein does this particular branch differ from the foreign trade?

Mr. DONOHUE. We only built seven boats on the coast in the last year for the foreign trade, and of course we are not as proficient as we should be in building ocean boats. I do not think we are as practical boat builders as they have in Europe, because we have not had the experience or the constant employment that are necessary to make the best mechanics. A man may learn the trade, but still unless he continues to work at it in time he becomes rusty, and if you do not employ yourself continually in certain things you will not become as proficient as if you are continually employed.

Mr. HINSHAW. That undoubtedly is true. Now, you say in that communication that a large number of workmen are walking the streets.

Mr. DONOHUE. Yes, sir.

Mr. HINSHAW. What proportion of the boiler makers are unemployed?

Mr. DONOHUE. You mean the boiler makers, not the shipbuilders?

Mr. HINSHAW. Yes.

Mr. DONOHUE. I should say 20 per cent are unemployed.

Mr. HINSHAW. Has that lack of employment on the part of 20 per cent tended to reduce the wages of those employed?

Mr. DONOHUE. It certainly has, to a certain extent.

Mr. HINSHAW. What is the wage paid to the ordinary boiler maker or shipbuilder?

Mr. DONOHUE. In different sections of the country the wages are different. It will run between \$3 and \$4 a day. It very seldom gets below \$3. The average wage for the year, you know, will amount to a great deal less. It would come down to about \$2.30 or \$2.40 the year round.

Mr. HINSHAW. What part of the year are these men not employed? What is the slack season?

Mr. DONOHUE. The slack season on our coast, I know, is in the summer—in the middle part of the summer.

Mr. SPIGHT. For how long a time?

Mr. HINSHAW. About what proportion of the time is each laborer unemployed, on the average?

Mr. DONOHUE. Last year we had very little work. The men who are employed at all are employed 75 per cent of the time, but some of the men are not employed at all at this calling.

Mr. HINSHAW. This is a union, as I understand it——

Mr. DONOHUE. It is a labor organization——

Mr. HINSHAW. To which men are admitted by some kind of a vote of the organization? They are not allowed to enter simply on their own volition?

Mr. DONOHUE. They have got to be admitted under certain limitations.

Mr. HINSHAW. You have the power to keep out all whom you do not want to have as members?

Mr. DONOHUE. If they are objectionable; yes.

Mr. SPIGHT. I want to ask you this question. It is along the line of what I asked you a while ago: I understand now that your men get when employed from \$3 to \$4.50 a day. You made that statement a while ago—\$3 a day and \$4.50 when they worked by the piece?

Mr. DONOHUE. Yes.

Mr. SPIGHT. Now, you think, in order to give that wage to more of your men, that the millions of other American citizens who work year in and year out at not to exceed \$1 a day ought to be taxed to give employment at profitable wages to your men? Is that your idea?

Mr. DONOHUE. That is my idea. I think they should be taxed.

Mr. HUMPHREY. Do you see any less reason, Mr. Donohue, why the rest of the American people should be taxed for the benefit of shipbuilders than that they should be taxed to pay subsidies to southern railroads?

Mr. DONOHUE. I do not see any at all.

Mr. HUMPHREY. Do you see any more reason why they should be taxed to build and maintain southern levees on the Mississippi River?

Mr. PATTERSON. I should not say southern railroads.

Mr. HUMPHREY. Do you see any particular reason why they should be taxed to build levees on the Mississippi River to protect the farmers of that country?

Mr. DONOHUE. It looks like about the same thing to me. [Laughter.]

Mr. HUMPHREY. Do you see any less reason for subsidizing ship-building than for paying millions of subsidies in this country by way of seed distribution and keeping up a Department of Agriculture?

Mr. DONOHUE. No. What is good for the goose should be good for the gander. [Laughter.]

Mr. HUMPHREY. Do you see any more reason why the Government should pay \$60,000,000 a year to newspapers and periodicals—why the Government should subsidize them to that extent—than subsidize those who build ships?

Mr. DONOHUE. No; particularly not when they are always knocking on this other bill. [Laughter.]

Mr. HUMPHREY. Do you see any reason why it would be less wise to subsidize your trade than it is for the Government to keep out yellow fever and the boll weevil, or to maintain any other of hundreds of subsidies in this country?

Mr. DONOHUE. We know there are a great many subsidies in this country besides this new one that is proposed.

Mr. HUMPHREY. Do you know of any employment that is not subsidized except yours?

Mr. DONOHUE. I do not know of any other that is not, to a certain extent.

Mr. HUMPHREY. Do you see any difference between this proposition and that of the Government paying out millions a year to establish fish hatcheries in the country?

Mr. DONOHUE. I think the Government would receive a greater profit by this new subsidy than by many of the other ones. We should put men to work if you would pass this bill, but—

Mr. HUMPHREY. You claim, then, that everybody is taxed for somebody else, except you?

Mr. DONOHUE. Yes, sir.

Mr. SPIGHT. If Mr. Humphrey is through speaking you might go on.

Mr. GOULDEN. You have emphasized the fact that only nine steamers, or seven steamers, were built for the foreign trade. Will you specify how many have been built for the coastwise and lake trade by which your union has benefited? I want to know if there is any other trade than the foreign trade for which your union works. That is all.

Mr. DONOHUE. Well, it is right here [reads]:

In his annual report for 1905, the Commissioner of Navigation, Mr. Eugene T. Chamberlain, tells us that our merchant marine of all kinds of documented shipping on June 30, 1905, consisted of 24,681 vessels, of 6,456,543 gross tons. For the year, this is a net increase of 123 vessels and 165,008 gross tons.

The geographical distribution on June 30 was:

| | Vessels. | Gross tons. |
|-------------------------------|----------|-------------|
| Atlantic and Gulf coasts..... | 17,551 | 3,390,342 |
| Northern Lakes..... | 3,011 | 2,062,147 |
| Pacific coast..... | 2,674 | 793,088 |
| Western rivers..... | 1,526 | 174,319 |
| Hawaiian Islands..... | 56 | 28,622 |
| Porto Rico..... | 57 | 1,915 |
| Total..... | 24,681 | 6,456,543 |

The construction during the year was :

| | Vessels. | Gross tons. |
|-------------------------------|----------|-------------|
| Atlantic and Gulf co sts..... | 661 | 210,601 |
| Northern Lakes..... | 101 | 93,123 |
| Pacific coast..... | 162 | 20,115 |
| Western rivers..... | 178 | 6,477 |
| Total..... | 1,102 | 330,316 |

As the year's net increase in our merchant marine was only 123 vessels of 165,008 gross tons, while 1,102 vessels, of 330,316 gross tons, were constructed, it follows that 979 vessels, big and little, nearly all the latter, of 165,308 gross tons, went out of commission from various causes during the year.

As the year's net increase was only 123 vessels—

Mr. GOULDEN. It left 114 for the coastwise and lake trade?

Mr. DONOHUE. Yes. As it says here, it follows that 979 vessels went out of commission from various causes during the year.

Mr. GOULDEN. They were worn out?

Mr. DONOHUE. Probably. More went out of commission than were built. This is from our last month's Journal, March 1, 1906. We have followed this question up for years. This is our very last edition of the Journal, and we go on to show here a comparison of our shipbuilding with that of England.

Mr. HINSHAW. There is nobody who does not want to build up the American merchant marine, and there is nobody but wants American labor employed. The only question is how to get at it best. The inference of Mr. Humphrey does not amount to anything so far as my position is concerned.

Mr. HUMPHREY. I do not understand why you speak about my inferences. I am not inferring anything. I regret it if I happened to hit you, but if you get in the road I am sorry. I was not anxious to hit anybody.

Mr. HINSHAW. We are all interested in building up the industries of the country.

Mr. HUMPHREY. I am glad to hear you say it.

Mr. HINSHAW. Before these coastwise laws were put into effect were the boiler makers and shipbuilders employed?

Mr. DONOHUE. What laws do you speak of?

Mr. HINSHAW. Before these ships for coastwise and lake trade were built.

Mr. GREENE. Those laws date almost from the beginning of the Government.

Mr. DONOHUE. Twelve years ago there was a great falling off in the number of employments compared with the number of our men, and since that time employment has gradually fallen off each year.

Mr. HINSHAW. That is, in the coastwise trade?

Mr. DONOHUE. Yes. On the Lakes we have improved right along.

Mr. HINSHAW. Have not the coastwise trade laws helped your industry in building ships for American use on the Lakes and in the coastwise trade?

Mr. DONOHUE. They must have helped, because we have increased in membership and increased in the number of men at work on the Lakes.

Mr. HINSHAW. That is, in the last ten years you have increased?

Mr. DONOHUE. Yes; in certain districts, at certain places, at certain times.

I feel this way about the bill: Of course the word "subsidy" always looks like a bugaboo, but still, while the other fellow is doing it, how are we going to get around it? We have got to compete with him if we stay in business. These boats have got to be built somewhere, and if they are not built in the United States they will certainly be built in some other country, where they will be built cheaper, and it naturally follows that the men who would now build these boats here, if they wish to continue at work, will have to go to the countries where they build them cheaper; and, as I said before, in our part of the country the Japs are coming over in such quantities as to reduce our chances of labor in other employments to such an extent that it is almost impossible now to get a job out there unless you compete with a Jap at Jap prices; so that it is about time for the American mechanic to leave the country entirely, especially in our line, because we are up against it out there.

There is no use in talking. We have come to a point where we are at extremes, and we feel that some action should be taken by Congress pretty soon, in order to protect us and to protect the thousands of people dependent upon us for a living; and we know when you help us in that way you will help other mechanics in the United States indirectly. There are millions of people to-day looking to this bill, who are really anxious and overanxious to see a bill of some sort pass. It does not make much difference to the workingmen what sort of a bill it is, so that the boats are built here, and providing we get our wages.

Mr. WILSON. Do I understand you to say it is almost impossible to secure work out on the coast?

Mr. DONOHUE. Yes; it is almost impossible for a man to secure employment in anything that a white man should like to work at out there at wages which I should require if I worked.

Mr. WILSON. The reason I asked you that question is that there was a man here the other day from out on the coast, and I talked with him about the labor there, and he said it was practically impossible to secure labor. He said they could not get it. They had to shut down the works many times because they could not secure the labor. I wondered why it was.

Mr. DONOHUE. That is certainly curious to me. I have seen more men at Los Angeles looking for employment than in any other city I have been in in my life. There is always a surplus of labor there, and in San Francisco, and up there to the north.

Mr. WILSON. That is where this man lives—San Francisco. He has a large employing plant.

Mr. DONOHUE. Maybe he can not get labor because he will not pay the price.

Mr. WILSON. He was willing to pay any price. He said he imported labor from Chicago and St. Paul, and from wherever he can get it, and paid their fares, and they work a day or two, and then get an offer of higher wages some place else, and then leave him.

Mr. DONOHUE. That is just what I say. Even if you pay a man's fare to go out and take a job, whenever he can get a job that pays him more he will leave that first job. I do not blame them.

Mr. WILSON. That is what I say. Labor is so scarce there that they are fighting for it and can not get it.

Mr. GREENE. What line of work do those men do referred to by the gentleman from Illinois? What line of work do they do? Ordinary labor—not skilled labor? •

Mr. WILSON. Yes; ordinary labor.

Mr. DONOHUE. If you wait long enough you will have enough Japs there to fill all the places. I have seen it down in southern California, where the girls used to pack oranges and pick fruit, but the Japs have almost entirely taken their work away in all the lighter lines of work, and they catch on very quickly, and they are willing, hard workers. You can not blame the employers for getting them, but it forces us to compete with their labor if we have got to secure any laboring work. But I want to keep on being a boiler maker. I have served five years at that trade, and learned it, and I feel that I am entitled to work at that trade. I am an American citizen, born in this country, and I do not want to have to leave this country to obtain employment elsewhere; and I know that if the Government would take the proper steps it could keep all the Americans, at least, at work, and if they can not keep us at work at this trade, after having served our apprenticeship at this trade, they should certainly provide for us, and have an old man's home, or something of that kind. [Laughter.]

Mr. GOULDEN. Suppose we gave you lots of employment in the shipyards. How would we keep the Japs from competing with you?

Mr. DONOHUE. You can not get the Japs to do that work.

Mr. GOULDEN. In the Russo-Japanese war they handled their ships pretty well.

Mr. DONOHUE. There were some Americans and Englishmen around there at that time, too. [Laughter.] I think I might suggest this way: A friend of mine suggested recently that they keep them out with axes, down in southern California. [Laughter.] I have seen them keep Indians out that way. If they do come, we will try to protect ourselves against them, and we can do that better when there is lots of work than when there is but little work. We have no fear of the Japs or any other class of people in the world.

Mr. GOULDEN. Would you allow a Jap to join your union?

Mr. DONOHUE. That is a question I would not like to answer.

Mr. GOULDEN. Do you limit your membership in the union to certain races?

Mr. DONOHUE. There is a clause in our constitution—the constitution of our union—which says that a man must be a white man. But if the Japs come over too strong we might have to take them in, too.

Mr. MINOR. Will the gentleman proceed with his testimony?

Mr. DONOHUE. I do not think I have anything further to offer. I am glad to have this opportunity to present our case before you. I feel you will take it up in the proper manner and do something for us. The time has come when something must be done. The people have waited so long that they are becoming anxious, and they believe they are entitled to action of some sort, and we feel that we are entitled to some encouragement along that line.

It is ten years since we first started our petition to Congress and sent in resolutions favoring legislation of this sort, and, I suppose, the

majority of those resolutions have found their way to the waste basket. Even at this late day I feel that something must be done in regard to the upbuilding of our merchant marine. It stands to reason that in time of war you always look to the young Americans to follow the flag and to fill your boats, but in time of peace it seems that you do not care much what becomes of them at all. [Laughter.]

Mr. HINSHAW. Do you know what percentage of seamen on the coastwise vessels are American citizens?

Mr. DONOHUE. Well, they are over 50 per cent Americans—that is, on our boats. On the foreign-built boats I do not know.

Mr. WILSON. Foreign-built boats are not in the coastwise trade.

Mr. DONOHUE. In our trade they are over 50 per cent.

Mr. HUMPHREY. A very small per cent of our sailors on the Pacific coast are American citizens. Only about 5 per cent are in the sailors' union.

Mr. DONOHUE. Yes. [Reads:]

The new construction of 1905 included 55 vessels of 1,000 gross tons or upward, aggregating 194,307 gross tons, or about 60 per cent of the total construction. The largest of these was the leviathan *Dakota*, of 20,714 gross tons. The other 54 vessels ranged from 1,070 gross tons to 6,684 gross tons. Forty-one steel steamers of 158,631 gross tons were constructed for the Great Lakes trade. Seven steel steamers, of 41,030 gross tons, were built for the ocean trade; that is encouraging in view of our lamentable shortage in ocean-going vessels. These figures show that nearly four times as much new tonnage was built for our Great Lakes trade as for our foreign trade.

"It is especially noteworthy," says the Commissioner, "in view of the decline in this country of shipbuilding in the past few years, that four large steamers for trade with Cuba and Mexico have recently been ordered in American yards. These steamers, however, it should be stated, are to replace steamers which have been purchased by the Government for the operation of its merchant line from New York to Colon, Panama. Two large steamers are also building on the Pacific coast for the American Hawaiian Steamship Company."

When the present report was closed, June 30, 1905, the steel vessels under construction in private yards, for the merchant and Government services, as compared with June 30, 1904, were as follows:

| | Merchant. | | Government. | | Total. | |
|------------|-----------|---------|-------------|---------|---------|---------|
| | Number. | Tons. | Number. | Tons. | Number. | Tons. |
| 1904 | 57 | 94,968 | 38 | 331,425 | 95 | 427,121 |
| 1905 | 76 | 190,903 | 39 | 306,702 | 125 | 490,361 |

The Government also had, June 30, 4 vessels of 32,185 tons (displacement) building for the Navy at Government navy-yards, under an appropriation of \$6,202,000. Says the Commissioner: "The labor and capital employed in construction of the larger types of ocean steam tonnage thus continues to be almost wholly dependent on appropriations by Congress, and bids fair to continue so throughout the year."

Our shipbuilding for foreign trade in the past four fiscal years was:

| | Vessels. | Gross tons. |
|-----------------------|----------|-------------|
| 1902 | 21 | 108,775 |
| 1903 | 18 | 101,471 |
| 1904 | 7 | 71,859 |
| 1905 | 7 | 41,090 |
| 1906 (building) | 7 | 36,150 |

That is not by any means a record to be proud of. A reduction of two-thirds in four years, while our foreign commerce has grown \$2,284,000,000 to \$2,800,000,000 (1905 calendar year), an increase of \$516,000,000, or nearly one-fourth in the same period.

Decreasing two-thirds in new carrying facilities and increasing one-fourth in goods to be carried is not the kind of business proposition we usually deal in. Our enrolled and licensed merchant marine is:

| | Number. | Gross tons. |
|---|---------|-------------|
| Steam, iron and steel..... | 1,359 | 1,987,395 |
| Steam, wood..... | 7,158 | 1,152,919 |
| Sail, wood, iron, and steel (including canal boats and barges)..... | 14,792 | 2,561,716 |
| Total..... | 23,309 | 5,502,030 |

Comparing that with our chief competitors in the world's commerce, we have:

| | Number. | Gross tons. |
|---------------------|---------|-------------|
| British Empire..... | 11,865 | 17,009,720 |
| Germany..... | 4,225 | 8,517,673 |

All of the merchant marine of the British Empire, except 2,336 vessels of 1,600,182 gross tons, consists of steamers. Practically all of Great Britain's tonnage and much the greater part of that of the British colonies is employed on the sea. It is the same with Germany. By far the greater part of her marine tonnage is used in foreign trade, while the foreign-trade part of our large tonnage is only about 900,000 tons.

It is interesting to note the nationalities of 120,635 sailors shipped and re-shipped (including repeated voyages) who worked for Uncle Sam, shipowner, in 1905 fiscal year.

| | |
|------------------------------|--------|
| Americans (born)..... | 37,098 |
| Americans (naturalized)..... | 22,571 |
| British..... | 13,790 |
| Spaniards..... | 11,738 |
| Norwegians..... | 6,019 |
| Italians..... | 4,593 |
| Swedes..... | 4,223 |
| Germans..... | 4,178 |
| Portuguese..... | 3,827 |
| Russians..... | 2,810 |
| Danes..... | 1,509 |
| Austrians..... | 1,145 |
| French..... | 562 |
| Japanese..... | 537 |
| Filipinos..... | 57 |
| All others..... | 5,606 |

The total number working on American ships in 1905 was about 8,000 more than in 1904. That the Spaniards rank fourth is somewhat of a surprise. It is gratifying to find that one-half of Uncle Sam's merchant sailors are American by birth or adoption.

MR. WILSON. It is about 60,000 out of 120,000. It is more than that.

MR. DONOHUE. Yes; it says [reads]:

Those classed as "others" are principally natives of Central and South American states, Mexicans, Cubans, and natives of the various West Indian Islands.

In passing, and in view of the natural link between Uncle Sam's merchant marine and his navy, it is worth noting that Lloyds' Register for January, 1905, says: "The war-ship tonnage launched by the United States in 1904,

amounting to about 171,000 tons displacement, was, with but one exception, the highest total ever launched for any country during one year, the exception being 1901, when Great Britain launched 210,000 tons of British war vessels."

Uncle Sam, both as shipowner and naval commander, is all right, except that he does not own enough ocean-going merchant vessels.

Mr. GOULDEN. Those shipped and reshipped.

Mr. DONOHUE. Yes.

Mr. GOULDEN. How many Chinamen have you, and how many Japs? I just want that for information.

Mr. DONOHUE. There were only 537 Japs. This list does not give any Chinese at all.

Mr. GOULDEN. Praise the Lord for that!

Mr. SPIGHT. Does that statement include only those in the coastwise trade, or on the Lakes also?

Mr. DONOHUE. The coastwise trade.

Mr. GOULDEN. The Pacific and Atlantic coast?

Mr. DONOHUE. Yes, sir. Now, I do not think that I have anything further to say, gentlemen, unless you have some questions to ask. I am very much pleased to have this opportunity to speak before you this morning. I thank you, gentlemen.

Mr. GOULDEN. Mr. Grimes, of the American Federation of Labor, is here, and what I understand he has to say is pertinent to the point that has just been made.

Mr. GREENE. Give your full name to the stenographer.

STATEMENT OF MR. JAMES F. GRIMES, LEGISLATIVE REPRESENTATIVE OF THE AMERICAN FEDERATION OF LABOR.

Mr. GRIMES. Mr. Chairman and gentlemen, in explanation of the statement made by Mr. McNeil as to the make-up of the executive council of the American Federation of Labor, it may be in order for me to say a word in reference to that, because it is a statement of fact.

Mr. GOULDEN. Yes; we would like to have that.

Mr. GRIMES. The executive council is made up of eleven members. As Mr. McNeil says, they are elected by a majority vote of the delegates in annual convention of the American Federation of Labor, comprising 114 international trade unions.

Mr. Samuel Gompers, president of the federation and of the executive council, is by trade a cigar maker. Mr. Frank Morrison, the secretary, is a printer. Mr. John B. Lennon, the treasurer, is a journeyman tailor. Mr. James Duncan, first vice-president, is a granite cutter. Mr. John Mitchell, second vice-president, is a coal miner. Mr. James O'Connell, third vice-president, is a machinist. Mr. Max Morris, fourth vice-president, is a retail clerk. Mr. Dennis A. Hayes is a bottle blower. Mr. Daniel J. Keefe is a longshoreman. Mr. William D. Huber is a carpenter and joiner. Mr. Joseph A. Valentine, jr., is an iron molder. That makes 11.

Each of those men is an international officer of his union.

Mr. GOULDEN. How many are there all?

Mr. GRIMES. There are 11 of them, Mr. McNeil stated a moment ago, in presenting his letter dated March 20; is that right?

Mr. MCNEIL. Yes.

Mr. GRIMES (continuing). Stated that that letter was adopted by the executive council of the Brotherhood of Boiler Makers and Iron

Shipbuilders shortly after the adjournment of their national convention at Kansas City, and at the Kansas City convention there was no expression given as to this character of legislation. The executive council of his society stands to the society in the same relation that the executive council of the American Federation of Labor stands to its component societies. Between times, we take it, they are a supreme court of the institution, and they can be overruled only in a convention of their kind, and therefore they can express, and repeatedly do express, by publication or otherwise, the dictum of their conventions held in the past, and until that dictum or policy is abrogated or abridged, naturally it remains the policy of the institution. So also is the position of the American Federation of Labor.

It is true, as Mr. McNeil says, that in the Detroit convention of the American Federation of Labor in 1899, the delegates representing his society urged resolutions in favor of ship-subsidy bills, and, so far as we recollect, there was no other trade therein represented that also urged the same; but, by an overwhelming vote, the convention declared against the policy of ship subsidy, and at no time since the annual convention of 1899 has the American Federation of Labor changed its policy at all.

Mr. SPIGHT. Then, if I understand you, Mr. Grimes, this action of the supreme council, whatever you call it, was in full accord with the action of the convention which had been held prior to that time?

Mr. GRIMES. Yes, sir. There were resolutions submitted in 1901 at the convention of the American Federation of Labor, proclaiming against ship subsidies—three separate resolutions referred to committee; but in view of the policy of the American Federation of Labor, the committee brought in a report that, not having changed its policy at all, repeated resolutions of the same kind were unnecessary, and in order to change its policy they would only have to have resolutions passed to abrogate or annul the prior resolutions, or annulling the action taken on the prior resolutions.

Mr. SPIGHT. This council was not without authority, then?

Mr. GRIMES. No, sir.

Mr. McNEIL. In making that statement to the members here you have probably left them under the impression that the executive council of the boiler makers' society was elected the same as the delegates of the executive council of the American Federation of Labor. The fact is that the members of the executive council of the boiler makers were not elected by the delegates, but were elected by the members at large, through the initiative and referendum law. On the other hand, the executive council of the American Federation of Labor is elected by the delegates who were present at the convention of the federation. In the case of our executive council our members at large had the say as to who should be the national officers and what policy they would pursue, and what they would favor and what they would oppose; what policy they would advocate and what policy they would condemn.

Mr. GRIMES. Mr. Chairman, I will say, as to his society, that its executive council occupies toward it the same position between conventions as the executive council of the American Federation of Labor occupies with respect to the Federation, namely, a position of supreme authority, notwithstanding the manner of its election. In 1905 the executive council of the Federation had a meeting and took

the same action, and again were reenforced by the national presidents or the accredited representatives of in the neighborhood of 75 out of these 114 trades, and so I undertake to explain that proposition.

I will leave here with the committee a list of the affiliated organizations in the American Federation of Labor for reference.

And following in the line of Mr. McNeil for the reading of a paper I would submit a letter giving our policy, if the chairman desires to have the gentleman read it.

Mr. WILSON. Why not read it, Mr. Grimes, yourself?

Mr. SPIGHT. We ask that the list of officers go into the record as a part of it.

Mr. GRIMES. This is the letter [reads]:

OFFICE OF THE AMERICAN FEDERATION OF LABOR,
423 G Street, Washington, D. C., February 13, 1906.

HON. WILLIAM B. ALLISON,
United States Senate.

DEAR SIR: The Senate of the United States has before it and under consideration S. 529, commonly known as the subsidy bill. Bills of a similar character before previous Congresses have been given considerable attention by the working people of our country, and their views expressed thereon, and particularly is this so in reference to the principle involved as well as certain features of the bill in the third session of the last Congress, being H. R. 17098. Comparison and perusal of this bill with S. 529 shows a marked similarity in purpose, method, and principle, and it is both the presentation to you and through you to the Senate of the United States that I am compelled to address this letter to you.

October, 1905, Mr. Daniel J. Keefe, president of the International Longshoremen's Association and vice-president of the American Federation of Labor, requested an opinion from me upon the subsidy bill H. R. 17098, and because a perusal of my reply to him and because I am convinced that in effect the reply applies equally to the present subsidy bill, S. 529, I quote that letter herein. It is as follows:

WASHINGTON, D. C., October 17, 1905.

Mr. DANIEL J. KEEFE.

*President International Longshoremen's Association,
Elks' Temple Building, Detroit, Mich.*

DEAR SIR AND BROTHER: Thus far I have been unable to write one word of my reports, the other work requiring so much of my attention. In spite of being overwhelmingly busy I have tried to comply with the request contained in your favor of October 12 in regard to the Grosvenor bill—H. R. 17098, of the Fifty-eighth Congress, third session—being a bill on the merchant marine and fisheries, commonly known as the "subsidy bill."

I have also read the report of the committee—Report No. 4136, Fifty-eighth Congress, third session, House of Representatives, and which accompanied H. R. 17098. Of course, I do not pretend to say that I have thoroughly digested the provisions of the bill and report. To make any such claim would be futile, because it would require thorough study to entitle one to reach conclusions upon which one can so definitely assert.

However, from a casual reading and a fair conception of their purport, as well as some experience with measures of this character, I submit to you the following tentative conclusions which were forced upon my mind; or, rather, I submit the following for your consideration in connection with this subject:

In connection therewith I need not, however, mention the fact that the American Federation of Labor has repeatedly and almost unanimously declared against the ship subsidy bills that have been introduced in the various Federal Congresses. I only need briefly call your attention to the few points to which I shall refer.

You will observe on page 5 of the bill, from line 13 to 16, inclusive, there is a provision that if one-sixth of the crew are American citizens of the United States, or men who have declared their intention to become citizens, that the vessel shall be entitled to subvention. In other words, five-sixths of the crew may not only be aliens, but could be Asiatics, and in view of the fact that the

tendency of the ship companies, like other employers, is toward a desire to get the cheapest possible labor. It is not difficult to understand that the shipping companies receiving this subsidy would hire as many of the aliens as possible—that is, five-sixths of the crew—at a low wage; and through this means endeavor to force down the wages of the one-sixth of the crew necessary to be employed to entitle it to the subsidy.

On page 6 of the bill you will find a provision that a vessel shall not be entitled to the subsidy, unless the members of the crew shall be enrolled as naval volunteers, and on page 2 of the bill it provides that they shall be "enrolled for a period of three years, during which they shall be subject to render service on call of the President in time of war."

One can readily see that the shipping masters will make the enrollment into the naval volunteer service a condition precedent to employment, and that the failure or refusal of a seaman to enroll as a volunteer in the Navy, and subject to a call in time of war, will be sufficient cause for shipping masters to refuse to give these men employment at all.

Of course every American must feel and should feel that in time of need Americans should readily respond to the call for troops on land or sea, to defend the interests and honor of our country, but I believe you will agree with me that when a man's employment in times of peace depends upon his enlistment in either the Army or the Navy, that such a provision is tantamount to compulsory enlistment, and practically constitutes conscription.

Then, again, on pages 11 and 12 you will find that a tax or duty is imposed upon foreign vessels carrying products to the United States, or from 8 to 16 cents tonnage per year. It is not difficult to discern that every cent of such taxation will be placed upon the products which the people of the United States will have to pay on every article they consume, at any rate during the period from the enactment of the bill until every article brought from a foreign country is brought in ships flying our flag. And surely between such period and the entire carrying of foreign trade by American vessels a considerable time will elapse.

In the entire bill there is not one provision that makes one solitary gain for the men who make their living by going down to the sea in ships.

In the report of the committee a pious wish is expressed that other committees of Congress should take this matter into consideration, but these perfunctory declarations mean little or nothing. If the committee had any idea for the improvement of the condition of the seamen, they certainly could have drafted it in the bill they had under consideration.

I regret that I have not any more time to devote to the consideration of this matter, but the above is submitted to your careful consideration as the conclusions reached at the first flush after reading and noting the contents of the bill and the report of the committee. You will, of course, understand that I am not an expert in maritime affairs. I speak from the standpoint of the layman who has had some little experience in dealing with matters of this character, and in that spirit and understanding I ask you to accept it for what it is worth.

Mr. HINSHAW. Who writes that letter?

Mr. GRIMES. Mr. Samuel Gompers. [Reads:]

Omit from this quoted letter the word "Volunteer" and substitute the words of the present bill, "Naval Reserve," and the applicability will thus be obvious.

It may not be amiss to call attention to the fact that on page 4, lines 6 to 9, in accordance with the provisions therein stated, the seamen coming under the operation of the bill, if it were enacted into law, would, while employed by private concerns, still be subject to such orders and regulations as the Government, through its Secretary of the Navy, may prescribe. Again, making conscription practically absolute as a condition for the employment of a seaman on a private vessel.

On page 5, lines 3 to 11, the following language occurs:

"Such retainer shall be paid at the end of each year of service—

Mr. HUMPHREY. When you say "on page 5, line 3," what bill are you referring to?

Mr. GOULDEN. No. 529, Senate bill.

Mr. HUMPHREY. That is what I am looking at. I do not see it there.

Mr. SPIGHT. It must be the bill which was before the last Congress.

Mr. GREENE. It was introduced in the Senate, but not passed.

Mr. HUMPHREY. It can not be this bill, because a great deal of what he is talking about is not in the bill.

Mr. GRIMES. This was written last October. [Reads:]

"Such retainer shall be paid at the end of each year of service on certificate, by an officer to be designated by the Secretary of the Navy, that the member of the naval reserve has satisfactorily complied with the regulations, and on certificates by the Commissioner of Navigation that such member has served satisfactorily for at least six months of the preceding twelve months on vessels of the United States in the merchant marine or in the deep-sea fisheries."

In other words, this provision of the bill makes the seaman who has entered in the naval reserve dependent upon the whim and fancy, favoritism and displeasure of his private employer before even the seaman may receive the Government's largess.

Without discussing further the general principles of the bill, it appeals to me with irresistible force that the particular features of the bill, to which I have addressed myself, should commend themselves sufficiently strong to you so that they may act as a protest against their enactment into law.

The workmen of America love our country, and there are no more loyal in all the masses of the people than are those who are enrolled in the membership of the trade unions of our country. It is in their name that I address you, and suggest further that wisdom and foresight and patriotism, as well as economy, should suggest a definite method by which men, American by birth, citizenship, or sympathy, may be recruited from the merchant marine of America for the naval strength of our country in times of stress and war as well as in peace.

Very respectfully, yours,

SAML. GOMPERS,
President American Federation of Labor.

List of organizations affiliated with the American Federation of Labor—International, State, central, and local.

Headquarters, Washington, D. C. Samuel Gompers, president; Frank Morrison, secretary.

| | |
|---|---------|
| National and international unions, 114, representing approximately..... | 27, 000 |
| State branches | 36 |
| City centrals | 559 |
| Local trade and Federal labor unions | 882 |
| Total number of unions | 28, 477 |

INTERNATIONAL UNIONS.

Actors' National Protective Union of America. Lew Morton, 8 Union square, New York, N. Y.

Asbestos Workers of America, National Association of Heat, Frost, and General Insulators. P. G. Jessen, 2620 Clark avenue, St. Louis, Mo.

Bakery and Confectionery Workers' International Union of America. F. H. Harzbecker, Metropolitan Block, room 45, 161-163 Randolph street, Chicago, Ill.

Barbers' International Union, Journeymen. Jacob Fischer, box 517, Indianapolis, Ind.

Bill Posters and Billers of America, National Alliance. William J. Murray, box 74, Tappan, N. Y.

Blacksmiths, International Brotherhood of. George J. Werner, suite 570-585, Monon Building, Chicago, Ill.

Boiler Makers and Iron-Ship Builders of America, Brotherhood of. W. J. Gilthorpe, room 406, Portsmouth Building, Kansas City, Kans.

Bookbinders, International Brotherhood of. James W. Dougherty, room 210, 132 Nassau street, New York, N. Y.

Boot and Shoe Workers' Union. C. L. Baine, 246 Summer street, Boston, Mass.

Brewery Workmen, International Union of United. Louis Kemper, rooms 109-110, Odd Fellows' Temple, corner Seventh and Elm streets, Cincinnati, Ohio.
Brick, Tile, and Terra Cotta Workers' Alliance, International. George Hodge, rooms 509-510, Garden City Block, 56 Fifth avenue, Chicago, Ill.

Bridge and Structural Iron Workers, International Association of. J. J. McNamara, 517 Superior Building, Cleveland, Ohio.

Broom and Whisk Makers' Union, International. Oliver A. Brower, 14 Swan street, Amsterdam, N. Y.

Brushmakers' International Union. John M. McElroy, 1822 Stiles street, Philadelphia, Pa.

Carpenters and Joiners of America, United Brotherhood of. Frank Duffy, P. O. box 187, Indianapolis, Ind.

Carpenters and Joiners, Amalgamated Society of. Thomas Atkinson, 332 East Ninety-third street, New York, N. Y.

Carriage and Wagon Workers, International. Charles A. Baustian, room 304, 30-36 La Salle street, Chicago, Ill.

Carvers Association of North America, International Wood. John S. Henry, 1220 Third avenue, New York, N. Y.

Car Workers, International Association of. G. W. Gibson, rooms 1205-1206, Star Building, 356 Dearborn street, Chicago, Ill.

Cement Workers, American Brotherhood of. Henry Ullner, 311 Clunie Building, San Francisco, Cal.

Chain Makers' National Union of the United States of America. Curtin C. Miller, box 42, Station D, Columbus, Ohio.

Cigar Makers' International Union of America. George W. Perkins, room 820, Monon Block, 320 Dearborn street, Chicago, Ill.

Clerks' International Protective Association, Retail. Max Morris, box 1581, Denver, Colo.

Cloth Hat and Cap Makers of North America, United. Max Zuckerman, 62 East Fourth street, New York, N. Y.

Commercial Telegraphers' Union of America, The. Wesley Russell, 405 Monon Building, Chicago, Ill.

Compressed-Air Workers' Union, International. Matt Moriarty, 56 Columbia place, Brooklyn, N. Y.

Coopers' International Union of North America. James A. Cable, Meriwether Building, Kansas City, Kans.

Curtain Operatives of America, Amalgamated Lace. Charles Pashley, 3338 Howard street, Philadelphia, Pa.

Cutting Die and Cutter Makers, International Union of. James Clasen, 34 Lawrence street, Brooklyn, N. Y.

Electrical Workers of America, International Brotherhood of. Peter W. Collins, Corcoran Building, Washington, D. C.

Elevator Constructors, International Union of. Henry Snow, 40 Park avenue, Chicago, Ill.

Engineers, International Union of Steam. R. A. McKee, 222-223 Masonic Temple, Peoria, Ill.

Engravers, International Association of Watch Case. George Weidman, Box 263, Canton, Ohio.

Firemen, International Brotherhood of Stationary. C. L. Shamp, Rooms 2-4, 2502 North Eighteenth street, Omaha, Nebr.

Flour and Cereal Mill Employees, International Union of. A. E. Kellington, 406 Corn Exchange, Minneapolis, Minn.

Foundry Employees, International Brotherhood of. George Bechtold, 1310 Franklin avenue, St. Louis, Mo.

Freight Handlers and Warehousemen's International Union of America, Interior. J. J. Flynn, Yondorf Building, 210 South Halstead street, Chicago, Ill.

Fur Workers of the United States and Canada, International Association of. C. E. Carlson, Box 959, Spokane, Wash.

Garment Workers of America, United. B. A. Larger, Rooms 116-117 Bible House, New York, N. Y.

Garment Workers' Union, International Ladies. John Alex. Dyche, 25-27 Third avenue, New York, N. Y.

Glass-Bottle Blowers' Association of the United States and Canada. William Launer, Rooms 930-931 Witherspoon Building, Juniper and Walnut streets, Philadelphia, Pa.

Glass House Employees, International Association. Ed. F. Weber, 1310 Jefferson street, Belleville, Ill.

- Glass Snappers' National Protective Association of America, Window. J. A. Benson, Lock Box 785, Kane, Pa.
- Glass Workers' International Association, Amalgamated. William Figolah, 55 North Clark street, Chicago, Ill.
- Glove Workers' Union of America, International. A. H. Cosselman, 42 First avenue, Gloversville, N. Y.
- Gold Beaters' National Protective Union of America, United. Thomas Delaney, 88 Barrow street, New York, N. Y.
- Granite Cutters' International Association of America, The. James Duncan, Hancock Building, Quincy, Mass.
- Grinders and Finishers' National Union, Pocket Knife Blade. F. A. Didsbury, 508 Brook street, Bridgeport, Conn.
- Grinders' National Union, Table Knife. Richard Odium, 82 Crown street, Meriden, Conn.
- Hatters of North America, United. Martin Lawlor, 11 Waverly place, Room 15, New York, N. Y.
- Hod Carriers and Building Laborers' Union of America, International. H. A. Stemburgh, Rooms 81-82 Wieting Block, Syracuse, N. Y.
- Horseshoers of United States and Canada, International Union of Journeymen. Roady Kenehan, 1548 Wazee street, Denver, Colo.
- Hotel and Restaurant Employees' International Alliance and Bartenders' International League of America. Jere L. Sullivan, Commercial Tribune Building, Cincinnati, Ohio.
- Iron, Steel, and Tin Workers, Amalgamated Association of. John Williams, House Building, Smithfield and Water streets, Pittsburg, Pa.
- Jewelry Workers' Union of America, International. William F. Schade, Box 141, Philadelphia, Pa.
- Lathers, International Union of Wood, Wire, and Metal. Ralph V. Brandt, 518 Superior Building, 345 Superior street, Cleveland, Ohio.
- Laundry Workers' International Union, Shirt, Waist and. John J. Manning, P. O. Box 11, Station 1, Troy, N. Y.
- Leather Workers on Horse Goods, United Brotherhood of. J. J. Pfeiffer, 438 Gibraltar Building, Kansas City, Mo.
- Leather Workers' Union of America, Amalgamated. John Roach, Box 414, Newark, N. J.
- Longshoremen's Association, International. Henry C. Barter, 407-408 Elks Temple, Detroit, Mich.
- Machine Printers and Color Mixers of the United States, National Association of. Charles McCrory, 352 Forty-first street, Brooklyn, N. Y.
- Machinists, International Association of. George Preston, 908-914 G street NW., McGill Building, Washington, D. C.
- Maintenance of Way Employees, International Brotherhood of. C. Boyle, 609-625 Benoit Building, St. Louis, Mo.
- Marble Workers, International Association of. Stephen C. Hogan, 632 Eagle avenue, New York, N. Y.
- Meat Cutters and Butcher Workmen of North America, Amalgamated. Homer D. Call, Lock Box 317, Syracuse, N. Y.
- Metal Polishers, Buffers, Platers, and Brass Workers' International Union of North America. Charles R. Atherton, Germania Bank Building, Spring and Bowery streets, New York, N. Y.
- Metal Workers' International Alliance, Amalgamated Sheet. John E. Bray, 325 Nelson Building, Kansas City, Mo.
- Mine Managers and Assistants' Mutual Aid Association, National. William Scaife, 1600 East Cook street, Springfield, Ill.
- Mine Workers of America, United. William B. Wilson, 1106 State Life Building, Indianapolis, Ind.
- Molders' Union of North America, Iron. E. J. Denney, 530 Walnut street, Cincinnati, Ohio.
- Musicians, American Federation of. Owen Miller, Room 20 Allen Building, Broadway and Market streets, St. Louis, Mo.
- Painters, Decorators, and Paperhangers of America, Brotherhood of. J. C. Skemp, Drawer 199, Lafayette, Ind.
- Paper Box, Bag, and Novelty Workers International Union. William H. Slaving, 47 Austin street, Danbury, Conn.
- Paper Makers of America, United Brotherhood of. Thomas Mellor, 22 Smith Building, Watertown, N. Y.

Pattern Makers' League of North America. J. B. McNerney, 25 Third avenue, New York, N. Y.

Pavers and Rammermen, International Union of. Patrick J. Spellman, 25 Third avenue, New York, N. Y.

Paving Cutters' Union of the United States of America and Canada. William Dodge, 87 East State street, Albion, N. Y.

Photo-Engravers' Union of North America, International. H. E. Gudbrandson, 208 Becker avenue, Cleveland, Ohio.

Plano and Organ Workers' Union of America, International. Charles Dold, 849 North Irving avenue, Chicago, Ill.

Pilots' Protective Association of the Great Lakes, Lake. Alfred E. Beecroft, 16 East Seneca street, Buffalo, N. Y.

Plate Printers' Union of North America, International Steel and Copper. T. L. Mahan, 319 S street NE., Washington, D. C.

Plumbers, Gas Fitters, and Steam Fitters' Helpers, of United States and Canada, United Association of. L. W. Tilden, 401-406 Bush Temple of Music, Chicago, Ill.

Potters, National Brotherhood of Operative. Edward Menge, Box 181, East Liverpool, Ohio.

Powder and High Explosive Workers of America, United. James G. McCrindle, Gracedale, Pa.

Print Cutters' Association of America, National. Thos. I. G. Eastwood, 1054 St. Nicholas avenue, New York, N. Y.

Printers' Association of America, Machine Textile. George Udell, 368 Branch avenue, Providence, R. I.

Printing Pressmen's Union, International. Martin P. Higgins, 35 Washington street, Charlestown, Mass.

Quarryworkers' International Union of North America. P. F. McCarthy, Scamplini Building, Barre, Vt.

Railroad Telegraphers, Order of. L. W. Quick, Star Building, St. Louis, Mo.

Railway Employees of America, Amalgamated Association of Street and Electric. W. D. Mahon, 45 Hodges Block, Detroit, Mich.

Saw Smiths' National Union. Charles G. Wertz, 351 South Illinois street, Indianapolis, Ind.

Seamen's Union of America, International. William H. Frazier, 1½ A Lewis street, Boston, Mass.

Shingle Weavers' Union of America, International. J. E. Campbell, 2902 Wetmore avenue, Everett, Wash.

Shipwrights, Joiners, and Caulkers of America, National Union of. Thomas Durett, 108 Marshall street, Elizabeth, N. J.

Slate and Tile Roofers' Union of America, International. Wm. W. Clark, 1510 St. Louis avenue, East St. Louis, Ill.

Slate Workers, International Union of. Thomas H. Palmer, Pen Argyle, Pa.

Spinners' Association, Cotton Mule. Samuel Ross, Box 367, New Bedford, Mass.

Stage Employees' International Alliance, Theatrical. Lee M. Hart, care of Bartl's Hotel, State and Harrison streets, Chicago, Ill.

Stereotypers and Electrotypers' Union of North America, International. George W. Williams, 534 Warren street, Roxbury District, Boston, Mass.

Stove Mounters' International Union. J. H. Kaefer, 166 Concord avenue, Detroit, Mich.

Tailors' Union of America, Journeymen. John B. Lennon, Box 597, Bloomington, Ill.

Teamsters, International Brotherhood of. Thomas L. Hughes, Room 51, 147 Market street, Indianapolis, Ind.

Textile Workers of America, United. Albert Hibbert, Box 742, Fall River, Mass.

Tile Layers and Helpers' Union, International Ceramic, Mosaic, and Encaustic. James P. Reynolds, 108 Corry street, Allegheny, Pa.

Tin Plate Workers' Protective Association of America, International. Chas. E. Lawyer, Rooms 20-21 Reilly Block, Wheeling, W. Va.

Tip Printers, International Brotherhood of. T. J. Carolan, 70 Bruce street, Newark, N. J.

Tobacco Workers' International Union. E. Lewis Evans, Room 56 American National Bank Building, Third and Main streets, Louisville, Ky.

Travelers' Goods and Leather Novelty Workers' International Union of America. Charles J. Gille, 1539 North Eighteenth street, St. Louis, Mo.

Typographical Union, International. J. W. Bramwood, Rooms 640-650 New-ton Claypool Building, Indianapolis, Ind.

Upholsterers' International Union of North America. Anton J. Engel, 28 Greenwood Terrace, Chicago, Ill.

Weavers' Amalgamated Association, Elastic Goring. George H. Flowers, 166 Cherry street, Brockton, Mass.

Weavers' Protective Association, American Wire. E. E. Desmond, 138 Skill-man avenue, Brooklyn, N. Y.

Woodsmen and Saw Mill Workers, International Brotherhood of. Ernest G. Pape, 1609 Fifth street, Eureka, Cal.

Wood Workers' International Union of America, Amalgamated. John G. Meiler, 407-410 Bush Temple of Music, Chicago, Ill.

I believe that is all, Mr. Chairman.

Mr. GOULDEN. We will make that a part of the record.

Mr. HUMPHREY. Are you through, Mr. Grimes?

Mr. GRIMES. Yes, sir.

Mr. HUMPHREY. I want to ask you a question. Under the present bill, as you doubtless know, the total number of petty officers and men enrolled in the Naval Reserve shall not exceed at any time 10,000. You knew that restriction was in the present bill, did you not?

Mr. GRIMES. Yes.

Mr. HUMPHREY. Do you think that keeping that down to 10,000 for the Naval Reserve would make it a conscription? Do you think that 10,000 men out of all the seamen employed in the United States would make it necessary for anybody to join the Naval Reserve that did not wish to?

Mr. GRIMES. Oh, no; I do not think it would require him to join unless he wished to.

Mr. HUMPHREY. I want to get your position in this, because I am very much interested in it, and because I am interested in the attitude of the seamen upon this bill. As I understand, it has been the contention of the seamen that we force them to go into the Naval Reserve, and the fact of having received letters and complaints of that character was one of the reasons why this clause was inserted in this bill, limiting the total number to 10,000. I would like to know whether or not that would be satisfactory; whether you still think there would be coercion? I want you to answer. I do not want Mr. Furuseth to answer. I know what he thinks about it. I have talked with him.

Mr. GRIMES. I do not desire to give my opinion on the matter expressly myself. My purpose was to come here this morning and indicate the position of the American Federation of Labor on ship-subsidy matters in the past, and to meet the statements that might be offered by the gentlemen present who preceded me, indicating the authority of the executive council to give expression, publicly or otherwise, to the action or position of the federation between conventions. That was my mission here this morning.

Mr. HUMPHREY. As I understood you, you have three objections to this bill: First, to the number of seamen employed, that it did not make compulsory the employment of American seamen; and the next was the naval volunteers, and the next was the tonnage tax. The tonnage tax has been stricken entirely out of the bill. Your second objection seems to be removed by limiting the number to 10,000.

Now, as to the other point, take the Pacific coast, where there will be considerable benefit from this bill, as we hope. As I understand it, there are only about 5 per cent of the men in the Seamen's Union

on the Pacific coast now that are American citizens. The practical question we met when we were trying to frame this bill was, How are you going to get American seamen in these ships if they are not to be had? How can we get them if they are not there? That is the practical question we were trying to solve. This bill provides that it shall increase as the years go by, and it is the intention of everybody that I know of having anything to do with this bill to require in time that all American sailors shall be American citizens. If you know how that can be worked out, I would be glad to hear from you. I am just as anxious about it as you are.

Mr. GRIMES. As to its affecting 5 or 7 per cent, I am not able to say.

Mr. SPIGHT. Have you any connection with the shipping interests or the Seamen's Union?

Mr. GRIMES. No, sir. I do not know anything about that percentage, Mr. Humphrey.

Mr. HUMPHREY. The reason I asked you that question is that, with the single exception of that percentage, this bill has been changed to meet the objections you raise. It is not in the other bill.

Mr. GREENE. Before the committee?

Mr. HUMPHREY. Yes.

Mr. HINSHAW. Do you know whether the Federation of Labor, of which Mr. Gompers is chairman, has any objection to what we call the subsidy feature of this bill—the direct payment of money from the Treasury to ships in the American trade—or do you know anything about the attitude of the organization upon that proposition?

Mr. SPIGHT. Upon the principle?

Mr. GRIMES. The attitude of the organization is opposed to the principle. That is Mr. Gompers's direct and immediate opinion on that.

Mr. McNEIL. Would it not be better to state that a majority of the members of that institution are opposed to it, but not entirely?

Mr. HUMPHREY. I never received any statement from Mr. Gompers, or never saw any statement representing that they had any objection to the ship-subsidy bill except for the reasons he sets out there. I have had some communication with him about it, and have seen letters which he has written.

Mr. GREENE. I would like to ask the gentleman whether he does not think it would benefit American labor if this bill could be put into effect—benefit American labor in the construction of ships in the foreign trade? If the result of this bill was the construction of ships in foreign trade would not that benefit American labor?

Mr. GRIMES. It would benefit probably a small fraction.

Mr. GREENE. I do not mean every man, but all who worked at the trade. If it were provided that the ships should be built in American shipyards by American labor, would it not benefit American labor?

Mr. GRIMES. It would seem so; yes.

Mr. GREENE. They object to the former bill; not the one that is before us, but the one that was in the Senate in the past Congress. That letter was written in October of last year.

Mr. HINSHAW. I understood that Mr. Grosvenor, the chairman, announced on starting that it was on the Senate bill as passed and also upon the bill originated by Mr. Grosvenor.

Mr. HUMPHREY. I understood, Mr. Hinshaw, that one proposition, the tonnage tax, because that went out of the bill in the Senate; not because they were opposed to or were in favor of it, but because it was not proper.

Mr. HINSHAW. I understood we were considering not only the Senate bill, but the House bill introduced here.

Mr. GREENE. The next witness now is to be heard in favor of the bill.

Mr. McNEIL. I would like to have Mr. Cochrane heard, of Bath, Me., a shipbuilder and contractor in that town.

Mr. GREENE. Now, Mr. Cochrane, give your full name to the stenographer.

STATEMENT OF MR. ALEXANDER COCHRANE, OF BATH, ME.

Mr. COCHRANE. My full name is Alexander Cochrane, and I am located at Bath, Me.

Now, Mr. Chairman and gentlemen, in regard to the shipping bill I do not know that I can enlighten you any, but I can give you a few facts, which, perhaps, will be just as well.

I am an Englishman born and bred. I have been in this country about seventeen years. I am an American citizen. I became naturalized as soon as I possibly could, and I have traveled along the East coast more than anywhere else. I have also done a little traveling in the West. I have gone out there a couple of times to the West, but I have done most of my traveling in Baltimore, Philadelphia, Wilmington, Chester, New York, Boston, Quincy, and from Gloucester, Mass., to Bath, Me. I have noted how the work is going on just as well as any man.

When I came to Baltimore first I was working on the *Montgomery* and the *Detroit*. I worked there until we finished them. I think we did two torpedo boats, or three torpedo boats, and we repaired a light-ship, the *Holland*, and then we got the *Mackey* shortly after the Spanish war. Then I think we built another tug. That is all the machine work or any other work that I had in Baltimore in my life. It was on torpedo boats chiefly. We had an oil boat to build there before I came to this country.

I left there and went down to Sparrows Point, and I worked at Sparrows Point for three or four years, and did three or four river boats, the *Howard* and other Bay Line steamboats; what I may call passenger and light carrying cargo boats, not intended for much of a hull cargo.

Then I have done work on the three torpedo boats down there. I just left about the time they had a fire down at Sparrows Point. They had two or three big boats there at that time, and they had a big fire, and one of the boats fell over, as some of you gentlemen may remember. That was about the first merchant carrying boat that I know of in Baltimore in my time. Then I traveled along to Wilmington, and did a couple of torpedo boats in Wilmington.

Mr. GREENE. Government work?

Mr. COCHRANE. Yes. I built the *Howard* there. That was a carrying boat for the Bay Line steamers. I went to Newport News. The only merchant work I did there was on the *Grande Duchess*. They had quite a lot of merchant work there.

Mr. GREENE. For the coastwise or foreign trade?

Mr. COCHRANE. I am not very well versed in telling you whether it was foreign trade or not. The *Grande Duchess*, I think, is a foreign-trade boat, running to the Pacific. Is that not so, Brother McNeil?

Mr. McNEIL. I think so.

Mr. COCHRANE. The majority of the work I worked on down at Newport News was Government work, outside of the *Grande Duchess*.

Then I went to Elizabethport, N. J., and did ten dredges there for the Lake boats, carrying grain, and I worked also on two torpedo boats there.

Then I came back to Baltimore again and built the two submarine boats, the *Argonaut* and the *Plunger*. I was working on the *Argonaut* for six or seven months.

Then I left there again and went down to Sparrows Point and worked on a little more Government work. I traveled from there to Morris Heights. There I half finished one torpedo boat, built two more, and worked on a lot of yachts.

I left there and went to Quincy, and worked on Government boats at Quincy. I did not touch merchant work. I believe to-day they have some outside work—outside the Government.

I have been in Bath now nearly three years, and have done nothing but Government work. There are seven or eight yards in Bath, and we have only two boats building in Bath. One is a schooner and the other is the *Chester*, what we call a small boat. She is a light boat. She does not employ very many men. The other yards are practically shut down. I have the contract myself, and I have six wood carpenters working for me as helpers. What we are trying to do is to bring about conditions where there will be more work. If we do not get some work we will soon be helping somebody else, upon helpers' wages. Our work is going just the same.

During my travels I worked a little in Philadelphia, too. I worked there on two or three of your transports that were bought, making them over into transport boats for the war with Spain. Such transactions as that the ship subsidy bill would kill. Instead of buying those boats, or considering the necessity of buying those boats, you would have them of your own. You would not buy any of those rattletraps. I could prove they were that. I could put my hammer through some of the shells. [Laughter.] What good would there be to send out troops in them to fight? They armed some of those boats, gentlemen, and it was a shame. I can swear upon my life that I have put my hammer through some of those shells that we brought from the old country. If this ship subsidy would come it would do away with the buying of those boats. I know personally that some of my own friends went over to Antwerp and brought some of those boats over here, and were glad to sell them. They were going down fast, and they were rattlers. [Laughter.] They said, "I hope the American Government can buy them so that we can go home and get a new ship. The company needs it, God knows."

Mr. GOULDEN. What boats did you work on in Philadelphia?

Mr. COCHRANE. On the *Admiral Dewey* and the *Schley*. There was one boat I worked on, a transport, the *Peck*. There were so many boats that I have lost some of their names.

Mr. MINOR. Are you a resident of Bath, Me.?

Mr. COCHRANE. Yes, sir.

Mr. GREENE. Do they depend largely on shipbuilding there, or on what?

Mr. COCHRANE. If shipbuilding would die, there is nothing they could do.

Mr. MINOR. What is the principal industry there?

Mr. COCHRANE. I understand it is a shipping city. It gets its name from being a shipping city.

Mr. MINOR. There are two ships building there now?

Mr. COCHRANE. Yes, sir.

Mr. MINOR. Are they for the foreign trade?

Mr. COCHRANE. The *Chester* is a scout ship.

Mr. MINOR. Government work?

Mr. COCHRANE. Yes, sir.

Mr. MINOR. Are there any private ships building there?

Mr. COCHRANE. One schooner, I believe; a three-masted schooner is being built in Bath. The other shipyards are closed down. There are two or three little scows building there, employing three or four men, or perhaps a dozen men.

Mr. MINOR. Have you any information as to other points in Maine, as to the condition of shipbuilding there?

Mr. COCHRANE. No, sir; only they tell me there is nothing doing there. Of course I do not travel in Maine. They tell me that there is nothing doing in shipbuilding in Maine. I can prove it for Bath alone, because I am right there, and I have six men working for me directly. They are what are called ship fasteners.

A fellow came to me a while ago and said, "You have got a good ship fastener there." I have two riggers with me. They are pretty hard to get in time of business.

In regard to Brother Gompers objecting to our bill, or to this bill, I would say that a little while ago a conference was held here, and a man came from Bath to attend it, and there were some objections to him somehow, and indorsed his papers, inasmuch as I was known around that way, and I thought it would help him get acquainted with some of the people I knew, and indorsed his papers.

I got word indirectly from Mr. Gompers, through Mr. Stewart Reed, asking me why I had sent this man out to come and fight in favor of the subsidy bill, and saying he would like to meet me and to explain to me why the bill was not good, and also other people in the town of Bath. So I called a meeting immediately. He sent a man right over with a letter to me to Rockland, a few days after the man was here, perhaps six weeks ago, and I said I would write to the men what night I would have the meeting. I wrote him Sunday night, and told him I would have the meeting on Tuesday. Some of us did not perhaps understand the bill, and I thought he would explain the bill to us. We telegraphed to him on Monday that we had got the hall secured all right for the meeting, and told him to come right along on Tuesday night.

Stewart Reed has not shown up yet. [Laughter.] I never knew if it was his secretary or somebody in his office who was at fault, but we never got a letter from him as to why he was against the bill. Now, something must be wrong if Mr. Gompers will not send his representative to meet a man candidly who wants to meet him on the square.

A question was asked here with regard to the price of material. We are not very well versed in the price of material. It takes all a workingman's time, if he wants to get along, to see how his own price is. But we do see sometimes in the paper how the price of material is. I noticed a little while ago, just after the war with Spain, that there was quite a controversy in regard to Mr. Carnegie sending over armor plate to Russia. I think he made a difference of over \$200 on the ton. He could send out armor landed in Russia cheaper than he would give it to the Navy in America. It was such a big item that there was quite a controversy about it, and it was suggested that the American people were going to build an armor-plate factory of their own, until Carnegie came down. That is where he gets his protection. Nobody can compete with him. That is where his subsidy comes in.

Why not let us have a little of this subsidy, so that nobody can compete with us? Nobody can send manufactured material over to this country without paying us a subsidy on it of some sort, or what you would call the cost of transportation. They have to pay something, a duty, to get it in here. But they can send their ships over here and take our trade away, and we get nothing.

They say the Grangers of this country are against this bill. I do not see why a man should be against the bill that is going to carry his goods for him cheaper than they are carried now. We all have to creep before we can walk, and we have to pay a little for our experience.

In regard to shipyards and shipbuilding, there is not a trade in the world that employs as many men as a shipyard does. It employs everything that any other trade employs, and one more. No matter what it is that you build—you can build a house; you will employ all trades, because you put a boiler and engine into the house, mostly, particularly if it is a large house, and you employ all trades in the building of a house, but you do not employ a shipbuilder. When you build a ship, on the other hand, you give that man a job, and he employs everybody else, from the man that tills the soil to the man that digs the iron and coal, and everybody else. It is the only trade that employs everybody.

I do not see why we should be made the subjects of such remarks as were heard here to-day. You give to farmers the seed, to fishermen the fish; you protect the lobsters, and the oysters, and everything, but you do not give the shipyards half a chance. We have to pay their taxes, more or less. We have to give them something. Why should they not give us something? We do not want it all. We want just a little. So little of it is going around that we do not get any of it at all.

Mr. SPIGHT. Do you belong to the Boiler Makers' Union?

Mr. COCHRANE. Yes, sir. We would just as well have all the men that work on our boats. We would like you to put that in our law and require them to be American citizens, besides the sailors.

Mr. HINSHAW. What wages do you pay to your men?

Mr. COCHRANE. Two dollars a day.

Mr. HINSHAW. Have you any other men to whom you pay different wages?

Mr. COCHRANE. No, sir; I have boys and helpers.

Mr. GREENE. Do you employ any skilled workmen?

Mr. COCHRANE. They are not exactly skilled workmen, but they have to be pretty fly on the job. [Laughter.] What I mean to say is that any man can carry a hod, but they have to be a little bit fly to go up the ladder [Laughter.] Of course we do pick a green man up once in a while. The usual way in a shipyard, to use a shipyard word, is to have a chain gang, and they carry the heavy bulks around, and if you are a little bit short for something else, you pick the fellow that looks the likeliest out of the chain gang and put him to something else. [Laughter.]

Mr. SPIGHT. What wages do you pay these men you speak of as belonging to the chain gang?

Mr. COCHRANE. One dollar and fifty cents a day.

I guess that is about all, gentlemen.

Mr. GREENE. Does anybody desire to ask the gentleman any questions?

Mr. MINOR. I have none to ask. It is now about 12 o'clock. If it meets the approval of the committee, we can adjourn now until 2 o'clock. If that is satisfactory, gentlemen, we will now stand recessed until 2 o'clock this afternoon.

(Thereupon, at 12 o'clock noon, a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

The committee resumed its session, Hon. Edward S. Minor in the chair.

STATEMENT OF CAPT. JOHN P. WALKER, U. S. ARMY (RETIRED).

Captain WALKER. The chief reason of my wishing to appear before your committee, gentlemen, is that I have had a bill for a number of years which relates to this general subject. I will say that this bill was considered several years ago by President McKinley and his Cabinet separately, and the members of the Cabinet said they were willing to consult upon it if the President would have it called into the Cabinet; and he said he would consider it if some member would present it. Mr. Lyman J. Gage offered to present it, but on the day that was set for the hearing something sudden happened to prevent his being heard, and for some time Mr. Gage was so engaged in other business that he could not attend to it; and that was succeeded by the death of Mr. McKinley, which, of course, put a stop to the proceedings in his Cabinet.

After that I presented the bill to Senator Frye and Mr. Hanna when they were considering the first subsidy bill. At first they did not take much stock in it, because they had their own bill already formulated, and were confident that it would pass the Senate at least, and they thought it would pass both Houses. They failed, as I told them I thought they would, the first year. The second year they consented that I should present it to their committee for consideration, but they still held to their opinion that their bill would pass. I told them that in order not to interfere with their bill I would wait until after that year had passed. That year passed, and their bill did not pass.

Various circumstances, ill health and others, conspired to prevent my taking any particular action in the matter except talking to different Senators and members about it, until finally the subsidy bill seemed to be dead for a while, if you will recall it; and I then presented this matter to Mr. Cortelyou when he was Secretary of Commerce and Labor, and I think that partly as a result of that the Commission was organized which led you gentlemen to take so much testimony in the matter. I will add that this is not offered as a substitute for your bill, but simply that you may consider in your deliberations the points that it makes.

I will read the bill. I may as well remark here that some of the verbiage in the beginning of this bill—the “whereases,” and so on—is taken almost literally from the last bill, I think, of Messrs. Hanna and Frye. It had been differently expressed before, but this was a little better, and so I took it, and wish to give them credit for it. [Reading:]

A BILL. To promote and increase the foreign and domestic trade and commerce of the United States, to build up and increase the merchant marine, and to provide auxiliary cruisers, transports, and seamen for the auxiliary navy of the United States in time of war, and to build and operate lines of railway and canals, to aid in such said development of trade, commerce, and navigation, and for allied necessary purposes.

Whereas the profitable employment of the surplus productive power of the farms, factories, mines, forests, and fisheries of the United States imperatively demand the increase of its foreign commerce; and

Whereas the merchant vessels, officers, engineers, machinists, electricians, and seamen necessary to the increase of the commerce of the United States are also essential as auxiliary to the forces of the United States in time of war and otherwise, and to the better security of the nation and the protection of its possessions, and

Whereas the United States having become responsible for the future good government, development, and civilization of Cuba, Porto Rico, Hawaii, the Philippine Islands, and other islands of the sea, the first and immediate steps required to carry out these beneficent purposes and to promote the general welfare and to provide for the public defense will be to extend our commerce and means of communication with them by means of railways, steamship lines, telegraph, and so forth; and

Whereas it being an indisputable fact that the nearest and readiest, greatest, and best field for the extension of American trade and commerce and for the extension of our restless, ever-growing, on-moving people lies right at our southern door and is the South American Continent; and

Whereas these indisputable facts have already been seen, appreciated, and to some extent acted upon by past Congresses, notably by (), the result of which is now to be found in the report of the Commission authorized by () and appointed by (), and of which the Honorable A. J. Cassatt, now president of the Pennsylvania Railway, was president; while such said report does not include any recommendation for further action, yet the work done and results obtained, as specified and set forth in the very able and voluminous report, and the great fact that this greatest and grandest field for American expansion, development, and growth, binding together by the indissoluble bonds of trade and commerce, of the commingling and codevelopment and cocivilization of the peoples of the twin continents of North and South America is now before us and is one of the greatest and most vital questions of this new century of grand and beneficent future; and

Whereas there is another route for the development of Caribbean Sea, Central and South American trade and commerce which is of equal necessity and importance with the already stated intercontinental railway, and that this is embraced in the project of a joint railway and steamship route taking up the railway and steamship transportation of the United States at the lowest available point of Florida and building a railway from that point to Key West, Florida; from thence the trains to be carried by steam ferries to Habana, thence by two routes to South America. The first being by railway west to the westernmost suitable and available point of Cuba, thence by steam ferry carrying trains to Honduras, thence by rail to the interoceanic canal and to

South America, then diverging into two branches, one down the western coast, the other by the north coast to the center and eastern coast. The second branch of the main line from Habana east to easternmost suitable and available point of Cuba, thence by steam ferry carrying train to Santo Domingo, through it by rail to its easternmost suitable and available point, thence by steam ferry carrying trains to Porto Rico and through it to its easternmost suitable and available point, and thence by steam ferry carrying trains to South America, i. e., nearest suitable available point, and thence down the east coast and to all interior trade centers; and

Whereas in order to carry out to successful result the proposed railway and steamship lines and to aid in reestablishing a proper merchant marine and auxiliary navy, it would be necessary for the United States either to become a partner outright in such said railway and steamship lines or to become responsible for such amount as may be determined of the bonds of such civil companies as may be formed for such said purposes; and

Whereas a résumé of the arguments for the establishment of such a company for such said purposes is herewith presented, viz: The American Railway and Steamship Company.

The object of the proposed American Railway and Steamship Company of the United States of America is twofold. First, as a military and naval necessity; second, to promote commerce, navigation, and the progress of the civilization of the world. The United States having become responsible for the future good government, development, and civilization of Cuba, Porto Rico, Hawaii, the Philippine Islands, and other islands of the sea, the company is the natural outcome of intelligent study of the problem as the best and speediest, most fit, and proper means to attain the desired results. While the project is of a colossal nature, it is yet practicable and within the power of realization of the present generation. In fact, with modern facilities it ought to be practically completed and paying good dividends within the next five years. It would, in view of military and naval features and the difficult problem of providing at once for the safe and proper government of the provinces annexed, be best to build the lines by the National Government as quickly as possible. If that is not practical, then a civil commercial company authorized and subsidized by the Government can do the work. If such organized and consolidated, broad and far-reaching plans are carried out, grand results will be obtained in a few years which will not be attained in a century of ordinary growth and development by weak, unassociated, disorganized, sporadic companies that will be developed from time to time.

But above and beyond the commercial feature stands the preeminent feature of national defense. We have taken our place among the fighting, progressive nations of the world; we must maintain our position or go to the wall, and to consequent decline as a world power and in trade and commerce. The development of the proposed plans will make us practically impregnable against attack. In the formation of the proposed company the appeal is first made to every American of whatever station in life to lend such aid as he may on grounds of patriotism. Second, to build up commerce and restore our ocean marine fleet. With the greatest coast line of any nation in the world we must also have the greatest Navy and commercial marine shipping. The proposed steamship lines will affect both results, viz, vastly increased Navy and recreated merchant marine. The vessels are to be designed and built of iron and steel, large and strong, with powerful engines and provided with a proper armament and suitable armor, these to be stored at proper navy-yards, as the vessels in time of war can be quickly fitted as men-of-war. Having a few guns, one or more always mounted and the crews to be drilled in their use and as fully as possible in other respects, so that they will be fitted at once to enter the Navy as seamen and gunners, and when the lines cover all oceans and reach all ports, the merchant marine will then be equal, at least, to that of any other power, and the Navy made equal, at least, to that of any other power.

It is therefore assumed that if the United States will not build the proposed lines, that it will afford Government aid to the civil company that will engage to do this grand work, and, in view of the facts as hereinbefore cited, that it will pay one-third of the cost of same. Such said joint ownership to be ended by either party after the lines have been built as far as agreed upon when the charter is granted and twenty years shall have elapsed, and on the conditions that the party to end the joint ownership shall buy the interest of the other party at such rate as shall be then agreed upon; and, in case of difference, by the adjudication of a third disinterested party agreed upon by the two joint

owners. The other parties to such company will be individual or corporation owners of stock railway and steamship companies that may join in wholly or in part or be bought out and absorbed and other governments which may join the company. The total stock might be divided into three parts, one-third United States, one-third individual or corporation, one-third other governments.

It is therefore proposed that the Congress of the United States shall authorize the formation of a stock company under the title of the American Railway and Steamship Company, which will carry such said purposes into execution, and in order to determine the organization, formation, details, personnel, and material parts, purposes, objects, plan, and scope of such said company a commission of fifteen suitable professional, legal, business, or other prominent gentlemen of the United States is hereby authorized to be appointed by the President of the United States to investigate, make reconnoissances and surveys, and collect information in order to report to Congress upon the feasibility and practicability and advisability of the formation of such a said company for such said objects and purposes. The president of such said commission to be ex officio the Secretary of the Treasury of the United States, and the Secretaries of War and of the Navy and the Chief Engineer of the Army and Chief Constructor of the Navy should also be ex officio members of the said commission; and

Whereas it is deemed especially expedient to make provision to these ends as aforesaid: Therefore,

Be it enacted by the Senate and House of Representatives in Congress assembled, That the President of the United States be, and hereby is, empowered and directed to appoint a commission of fifteen suitable professional, legal, business, or other prominent gentlemen of the United States to investigate, make reconnoissances and surveys, and collect information in order to report to Congress upon the feasibility, practicability, and advisability of the formation of a company to be called "The American Railway and Steamship Company of the United States of America," for the objects and purposes set forth or indicated in the articles or statements preceding and preliminary to this bill.

The president of such said Commission to be ex officio, the Secretary of the Treasury of the United States, and the Secretaries of War and the Navy, the Chief Engineer of the Army, and Chief Engineer and Chief Constructor of the Navy also to be ex officio members of such said Commission. And the sum of one hundred thousand dollars is hereby appropriated for the expenses of such said Commission. The salaries of the members of such said Commission shall be fixed by the President of the United States.

Mr. Chairman, I want to say just a few words in addition in explanation of this bill. It might appear to anyone reading it casually, or hearing it as I have read it, that it is rather a theoretical or highly drawn and expensive thing; but I may say that a portion of it is already being put into actual execution. Mr. H. M. Flagler, whom you all know about, a well-known railway man, is building this railway from Miami to Key West, and intends to establish a line of steamships to carry trains from there to Habana. So that a very practical man, with good engineers behind him, I suppose, has concluded that this is a practical scheme.

I may say, in addition, that one of the principal reasons why I have taken such a great interest in this matter is the fact that I have had to study such questions a great deal in the course of my professional life, and I know about the complaints that the people and Congressmen usually make about the expenses of the Army and Navy. I am very loth to find any fault with the expense of the Navy, because it is a joint branch with the Army, and I would be disposed to confine myself to improvements in the Army and not in the Navy. But I can not help but state my opinion as a result of all my study upon the subject, that we are spending too much money for purely naval ships—that is, if it can be avoided.

I do not, by this argument, wish to be understood as urging that there should be any restriction of the present line of policy with re-

gard to the building up of the Navy. As is stated in this bill, and as I believe, we should have the greatest navy on earth, or at least one that is the equal of that of any other nation. But that will entail an expense which, continued through years, and increasing as it goes on, will, in my opinion, become burdensome after a while; and this bill proposes to some extent a remedy for that state of affairs by building a part—a large part, it will be hoped—of the vessels of the Navy as commerce carriers to start with, to avoid the expenses of these regular naval ships in commission. There would not be, perhaps, more than half the expense of carrying on the Navy on the present plan if we should build commerce carriers that would earn some portion of their cost.

I only state that consideration briefly; but no doubt the gentlemen of the committee can think about that as they will.

I will say, as to the practicability of building ships in that way for both commerce and the Navy proper, that I have the opinion of Admiral Melville, late chief constructor of the Navy, who is a very intelligent gentleman, as you all know, and he says that such ships can be built in that way and be effective both as commerce carriers and as naval vessels. So that I think that point is well taken.

I will say with regard to the destination of these vessels, the different lines, that it would be contemplated that finally they would cover all oceans; but it is particularly contemplated to at first establish one great line east from Porto Rico to Africa. We already have a quasi-American settlement in Africa, and I think it would be wise policy to increase it. We are taking ground in different parts of the world; we must do so; we have started in Africa, and there is no reason why we should not continue.

I think there is a very great problem involved in that matter which is not pertinent to this subject, but I will mention the fact that it is proposed that the Government buy land in Africa and establish penal colonies there for certain colored criminals, and in addition to assist in the emigration of those who are willing to go there; and this steamship line would aid very materially in that development.

Mr. SPIGHT. I understand that your proposition is to organize a great corporation to build a railroad and ships, and make the Government of the United States a stockholder in that corporation?

Captain WALKER. Yes, sir; the proposition is to that effect, if the Government will not build them outright itself and absorb both railway and steamship companies.

Mr. SPIGHT. You propose that the Government shall become a stockholder and furnish part of the capital?

Captain WALKER. Yes, sir; similarly to the way in which they built the Union Pacific road and some other roads. The Government would be establishing no new precedent at all in such a procedure.

The ACTING CHAIRMAN. Have you made any estimate of the cost of this plan of yours?

Captain WALKER. No, sir. Of course it would be very great if carried out fully, but it could be begun gradually; as, for instance, in the case of Mr. Flagler, to whom I referred a while ago. He is a millionaire, but not a very great one, I believe; and he is attempting to build this line that I have spoken of.

Mr. WILSON. But he is worth \$80,000,000, is he not, or is reputed to be?

Captain WALKER. I do not know how many millions; I have not heard.

Mr. WILSON. I understand that he is.

Captain WALKER. But in any event, even if he has \$80,000,000, he is not equal to the United States Government.

Mr. WILSON. No, no. What do you think about the United States Government owning shipping vessels?

Captain WALKER. I think they have just as much right to own shipping vessels as they have to own railways. Mr. Newlands is urging (I heard him the other day) that the Government acquire all the railroads in the country. If we can do that, there is no reason why we should not acquire all the steamships and steamboats, too.

Mr. HUMPHREY. A great many people do not agree with that idea of Mr. Newlands.

Captain WALKER. I know, of course, that that is an opinion which people will differ about; but there is a very sensible, practical gentleman, and others, I see, are following his lead.

Mr. WILSON. Are you in favor of this bill?

Captain WALKER. The present bill?

Mr. WILSON. Yes.

Captain WALKER. I am as far as I understand it. Of course, not being a naval man, I do not understand all the technicalities of it; but as a general principle I am in favor of it. I advocate in my bill the same thing. I will explain that I was a Democrat before I went to West Point, and after I got out of active service, on the retired list, I engaged to some extent in politics, and would be supposed to be opposed to subsidies; but my study has led me to the contrary view, and I think that if the Democrats should come into power again they could just as well advocate subsidies as the Republican party could.

The ACTING CHAIRMAN. It could not hurt them any. They have changed on almost everything.

Mr. HUMPHREY. The plan which you suggest is the one which has been adopted by Japan, which she is pursuing now, is it not?

Captain WALKER. Yes, sir.

Mr. HUMPHREY. She is buying both the railroads and the ships?

Captain WALKER. Yes, sir. Japan is considered to be a very wise nation.

Mr. HUMPHREY. I certainly think she is about the shipping, at any rate.

Captain WALKER. It is coming to this point, gentlemen, whether the railroads shall own the Government or the Government shall own the railroads; and the same thing applies to the steamships.

Mr. GOULDEN. Then you are a government ownership man?

Captain WALKER. Yes, sir; to that extent, I am.

Mr. HUMPHREY. Are we not very much closer to the condition on the Pacific coast, where either the United States will have to do something for the vessels that still have the flag or Japan will own all of them?

Captain WALKER. How is that?

Mr. HUMPHREY. I say we are very much closer to the condition on the Pacific coast, where Japan is going to own all of our American vessels, than we are to this railroad business, are we not? As a mat-

ter of fact, Japan now has an option of purchase on most, if not all, of the ships on the Pacific Ocean that fly the American flag.

Captain WALKER. Yes, sir.

Mr. HUMPHREY. That is something that is not in the very distant future. It may be consummated inside of thirty days.

Captain WALKER. Yes, sir; and that was my position when the people were so hot on supporting Japan in the war with Russia. I said we would have to settle with Japan some day.

Mr. HUMPHREY. Speaking of that, as a man familiar with the naval history of this country, what condition would we be in with Japan owning all the ships on the Pacific Ocean?

Captain WALKER. We would be a little worse off than we are now. We own a few now, I believe. It would be something that you Congressmen should remedy, I think; provide against it; see what is coming, and be prepared for it. That is the object of this bill.

Mr. HUMPHREY. Twenty-four of the ocean-going passenger vessels out of the thirty are now on the Pacific. There are only 30 American vessels that carry passengers on the high seas now in the United States. We have only 30, and 24 of those are on the Pacific Ocean.

Captain WALKER. Yes, sir; that is a very lamentable thing, I think.

Mr. HUMPHREY. That is, according to the report of the Secretary of Commerce and Labor, there are just 30 passenger vessels flying the American flag to-day.

Captain WALKER. We led the world in marine shipping once, and there is no reason why we should not again. That is for you gentlemen to determine.

Mr. GOULDEN. Do you think that the merchant fleet which might be established for cargo-carrying purposes would be of any availability at all in case of war? What good would it be?

Captain WALKER. If you will adopt the principle which I referred to in your absence—

Mr. GOULDEN. I am sorry I was not present.

Captain WALKER (continuing). Of the Government building ships for the two purposes, primarily as commerce carriers, but fitted with armor and equipped with well-drilled crews, we would be ready to go into war. Admiral Melville says that the plan is feasible.

Mr. GOULDEN. But ships for carrying purposes—cargo ships, if you please—are built with a very large capacity for cargoes and rather a small capacity for coal; but for purposes of war it is just the opposite.

Captain WALKER. This bill advocates a little different plan. Primarily the ships that will be built under this bill would be of very high speed and very great power. They must be swift in order to carry railroad trains. These ships are to carry the trains from Key West to Habana and down to South America.

Mr. WILSON. You appeared before the Merchant Marine Commission, did you not, when it was taking testimony?

Captain WALKER. No, sir; I did not have the opportunity. I made several efforts to do so, but I was sick a great deal last summer, and I was at Atlantic City most of the time.

Mr. WILSON. It was two years ago this summer that the Commission took testimony.

Mr. GOULDEN. That is, the Commission of the House and Senate.

Mr. SPIGHT. I do not think Captain Walker was ever before the Commission. I do not remember that he was.

Captain WALKER. No; I was not. But I made various efforts to appear before the committee. Some of the reasons I can not quite explain.

Mr. HUMPHREY. It was not any fault of the Commission, however?

Captain WALKER. No, sir.

Mr. HUMPHREY. You were not refused a hearing?

Captain WALKER. No.

Mr. WILSON. The reason that I asked the question was that I was under the impression that you had been before the committee.

Captain WALKER. No, sir; I have not been. I expected to have been, because I thought, as I stated in my preliminary remarks, that I had something to do with the organization of that Commission. To me the subsidy bills were dead. There was no action taken on them, you know, for some time after Mr. Hanna's death. Mr. Hanna and Mr. Frye agreed to let this bill go into their committee, but because they thought they could pass their bill I did not put it in.

Mr. SPIGHT. You are not in the active service now?

Captain WALKER. No, sir; I have been retired since 1883, and I have been living in Washington for the last sixteen years.

Mr. SPIGHT. In what business are you engaged now, Captain?

Captain WALKER. I am not in any, unless you call this a business. I have been devoting my life work to general bills in Congress. I helped to pass the Washington Monument bill and the Congressional Library bill and various others. I have been working in that direction ever since. I have always felt that, as I was educated at public expense, I still owed the Government something; so I have been working on that line more than I have for my own interests.

I have nothing more to say, gentlemen, unless you have some questions.

STATEMENT OF ANDREW FURUSETH, ESQ.

Mr. FURUSETH. Mr. Chairman and gentlemen of the committee, I wish to say a few words in regard to this bill, Senate 529, entitled "An act to promote the national defense, to create a naval reserve, to establish American ocean mail lines to foreign markets, and to promote commerce."

As we who go to sea view this bill, we are opposed to it. The first section of it provides for the establishing of a naval reserve. The second section provides for a subsidy to the ordinary commerce-carrying vessels, the ships generally called "tramp" steamers and sailing vessels. The third section prescribes the obligations that they shall be under in order to get the subsidy. Then the bill deals with mail subsidies, etc., and section 7 provides certain conditions that are imposed upon those mail vessels in order that they may get the subsidy. The last section, section 8, has in the latter part of it some provisions about the enrollment of boys in the Naval Reserve.

The theory of the bill, as we understand it, is that by getting more vessels we will get more seamen, and therefore the proposition is to provide for more vessels. Whether this bill will furnish more vessels or not is something that, as a seaman, and as representing the seamen, I do not undertake to pass any opinion upon. I presume that since the owners have been consulted upon the amount of sub-

sidy they are willing to accept as an assistance in running their vessels, they have probably put it in such shape as to be satisfactory to them, or as nearly so as they could get it. But inasmuch as the question is one of obtaining seamen, it would seem not to be out of keeping that the seamen should have something to say as to whether this bill as drawn would have any tendency to increase the number of skilled seamen in the country.

The reasons for this bill, as we understand them, are that it costs more to build an American vessel than to build a foreign vessel, and it costs more to run an American vessel in the foreign trade. Whether it costs more to build an American vessel or not is a matter for the shipbuilder and those who work for him, and that matter I shall not try to interfere with. But as to the cost of running a vessel in the foreign trade I have something to say.

The statement is generally made that it costs more to run an American vessel because the food is better, the forecastles are more spacious, greater, bigger, the wages are higher, and the number of men carried is greater.

From my own practical experience, and from my knowledge, and from the investigations that I have been able to make, I propose to dispute those four fundamental facts, and to say that this bill, if enacted into law, will not increase the number of seamen under the American flag subject to draft into the Navy under certain conditions. It will, on the very contrary, cause a large number of men now under the American flag—and who, by the way, are citizens of the United States—to seek some other place to get a living except at sea. If they can not find it on shore in the United States, they will probably find it in some other part of the world, where the conscription runs from one to three years instead of here where, under this bill, it will run from the time a man is 18 until he is 45.

I represent primarily the Sailors' Union of the Pacific, and I would like to file right here a part of our constitution, which is an extract from the declaration of purposes, to show what our organization stands for. I represent the seamen of the United States on the Pacific, the Lakes, and the Atlantic. I have my credentials here if it is necessary to show them.

(The extract from the constitution of the Sailors' Union above referred to is as follows:)

[Extract from preamble, constitution Sailors' Union of the Pacific.]

We have determined to form one union which shall be based upon the following principles:

Whatever right belongs to one member belongs to all members alike as long as they remain in good standing in the union. First of these rights is the right of each member to receive fair and just remuneration for his labor, and to gain sufficient leisure for mental cultivation and physical recreation. Further, we consider it our right to demand healthy and sufficient food and proper forecastles in which to rest.

Next is the right to be treated in a decent and respectable manner by those in command.

Next is the right of engagement without the interference of crimps or other parties not directly interested.

We hold that the above rights belong to all seamen alike, irrespective of nativity or creed.

Recognizing the above as our inalienable rights we are conscious of corresponding duties to those in command, our employers, our craft, and the country in which we live.

We will therefore try by all just means to promote harmonious relations with those in command by exercising due care and diligence in the performance of the duties of our profession, and by giving all possible assistance to our employers, in caring for their gear and property.

Based on these principles it is among our objects to use our influence, individually and collectively, for the purpose of effecting a change in the maritime law of the United States, so as to render it more equitable and to make it an aid instead of a hindrance to the development of a merchant marine and a body of American seamen.

To maintain a journal which shall voice the sentiments of the seafaring class, and through its columns seek to maintain the knowledge of and the interest in maritime affairs.

To assist other organizations whenever possible in the attainment of their just demands.

To regulate our conduct as a union and as individuals so as to make seaman-ship what it has a right to be—one of the most honored of professions.

Mr. FURUETH. I will say also, in passing, that some words were said here this morning with reference to Mr. Gompers and the American Federation of Labor.

Mr. GOULDEN. Let me ask you a question right there, Captain. Is your association, the seamen's union, affiliated with the American Federation of Labor?

Mr. FURUETH. Certainly.

I told Mr. Gompers, of the American Federation of Labor, what had been said here with reference to the authority of the executive council and what had been said also on some matter with reference to Maine, and he told me to say to this committee that if there was any matter of doubt in the minds of the committee as to the position of the American Federation of Labor upon this bill or upon the authority with which he had acted in the matter, he would be perfectly willing to come before this committee, and if he was called up by telephone he would come here this afternoon.

To begin with, section 1 of this bill provides for the establishment of a naval reserve. On page 2 of the bill it is provided that "these members of the naval reserve shall be enrolled for a period of four years, during which period"—

Mr. HUMPHREY. Which bill is it you are reading from?

Mr. FURUETH. I am reading from Senate bill 529, page 2. [Reading:]

These members of the naval reserve shall be enrolled for a period of four years, during which period they shall be subject to render service on call of the President in time of war. They shall also possess such qualifications, receive such instruction, and be subject to such regulations as the Secretary of the Navy may prescribe.

The position, therefore, of the man who goes into this Naval Reserve as it here is outlined will be that of man-of-war's men on furlough, away from the Navy on leave of absence.

The bill then goes on to state how much they shall get for this; and then it goes on, on page 3, line 4—

Such retainer shall be paid at the end of each year of service on certificate, by the Secretary of the Navy, that the member of the Naval Reserve has satisfactorily complied with the regulations, and on certificate by the Secretary of Commerce and Labor that such member has served satisfactorily for at least six months of the preceding twelve months on vessels of the United States in the merchant marine or in the deep-sea fisheries.

The bill further provides that a bonus shall be paid to the seaman according to his rating on board a vessel, and says that this bonus

shall be paid to him subject to a certificate from the Secretary of Commerce and Labor to the effect that he has faithfully served six months or more in some private merchant vessel of the United States. If he can not furnish that certificate, if for some reason or other of the owner he can not get that certificate, he will not get the money. He gets it upon a certificate to be issued really, as a matter of fact, by the owner for whom he serves. This certificate that he gets from the owner will necessarily have to be viséed by the Secretary of Commerce and Labor. Then it goes to the Secretary of the Navy. Now, first he has to get a certificate of good conduct from the owner; secondly, he has to go through that course in order to get the money.

Mr. HUMPHREY. Where does the bill say that he has to get a certificate from the owner?

Mr. FURUSETH. It says that he has to get a certificate from the Secretary of Commerce and Labor that he has faithfully served on board such a vessel. Now, it is impossible for anybody else except the owner to give that certificate, because the Secretary of Commerce and Labor can not tell, if I am out on the Atlantic or the Pacific Ocean, whether I serve satisfactorily or not.

Mr. HUMPHREY. Suppose you should take somebody in there and prove to the Secretary of Commerce and Labor that you had done so. Suppose you should take one reputable citizen along with you and there was no dispute about it?

Mr. FURUSETH. How would the reputable citizen know? The reputable citizen would not be at sea with me.

Mr. HUMPHREY. Suppose that you went there yourself and nobody disputed it?

Mr. FURUSETH. My going in there myself would be of no use, because, Mr. Humphrey, this bill says that the money can only be paid upon certificate.

Mr. HUMPHREY. Certificate from the Secretary of Commerce and Labor?

Mr. FURUSETH. Yes. Now, if I lived on the Pacific coast, how could I go to the Secretary of Commerce and Labor?

Mr. HUMPHREY. You know that there is a mail service run.

Mr. FURUSETH. Yes; I know there is a mail service.

Mr. HUMPHREY. Let me ask you this question on that point: Suppose that you were to present evidence of your own that you had served this length of time on a certain vessel and nobody disputed it. Do you think that your testimony would not make a prima facie case?

Mr. FURUSETH. In other words, that the Secretary of Commerce and Labor would take my unsupported testimony for it? I do not think he would.

Mr. HUMPHREY. If there was nothing to contradict it?

Mr. FURUSETH. I do not think I should want him to. I do not think he should.

Mr. HUMPHREY. Would you not get a discharge when you left your ship?

Mr. FURUSETH. Sometimes we do and sometimes we do not.

Mr. HUMPHREY. You have talked to me about this, Mr. Furuseth, and I do not want to interrupt you, but only to get some information from you, because I have tried to ascertain what you wanted on that point. What do you suggest as to how that should be done?

Mr. FURUSETH. I would suggest that if you want the Naval Reserve—

Mr. HUMPHREY. No; what I was going to say—

Mr. FURUSETH. Well, one moment—

Mr. HUMPHREY. You are opposed to it? You are opposed to the whole provision?

Mr. FURUSETH. I am not opposed to the whole provision in a different bill and under different conditions. The seamen have never placed themselves in opposition to a naval reserve, but they are opposed to being used, as they have expressed themselves on one occasion, as a pack mule.

Mr. HUMPHREY. What is your objection to having it in this bill?

Mr. FURUSETH. Because it is so interwoven with other features of the bill and made so absolutely dependent on the shipowner that this bonus which is supposed to go to the man would invariably go to the owner.

Mr. HUMPHREY. Do you not think we could correct it just as well in this bill as we could in a separate bill? What is the difference?

Mr. FURUSETH. I do not think you could, because it is so absolutely interwoven through it.

Mr. HUMPHREY. You do not think, then, that we could legislate in this bill the same as we could in a separate bill so that your interests would be protected?

Mr. FURUSETH. If a separate bill were enacted for the establishment of a naval reserve, based upon the same system of a naval reserve that exists in England, quite a large number of men in the merchant marine of the United States would join the naval reserve. I want to say incidentally that there are some 75,000 men, employed as firemen and sailors, engaged in the coastwise and lake trade and in the trade to the immediate colonies—that is, in the coastwise trade in the technical sense, the legal sense—and there are plenty of men from whom to draw if those men are of the right kind and are willing.

Mr. HUMPHREY. And yet you think that if you require 10,000 of that number of 75,000 to go into the naval reserve that will be a conscription?

Mr. FURUSETH. Unquestionably it will be a conscription. If you are going to make the employment of a man in a civil employment contingent upon first having been employed in the Navy, what is that but a conscription? If you owned a vessel or a dozen vessels you would necessarily want a subsidy under this bill; it is natural; and when I or somebody else came along and asked your captain, or your shipping master, perhaps, "Can I get a show in this vessel," he would immediately ask, "Are you a naval-reserve man?"

Mr. HUMPHREY. Suppose you should reply, "No, I am not; because there are already 10,000 of them," then what would happen?

Mr. FURUSETH. I would say, "I am not." Then what? Then I would be one man that you would not want, because if you had too many of that kind of men you could not get the subsidy.

We do not want to hamper the shipowner on this question. If you want to give the shipowner a subsidy, give it to him; but do not give it to him and at the same time tie us up to it.

Under the proposition here we are supposed to get a certain amount of money. We have never asked for any money, either from Congress or from anybody else.

Mr. HUMPHREY. We do not claim that you have asked for money. That is not the idea. Neither are we trying to pass this bill to give anybody any money or insist that any class of people take money. We are trying, in this portion of the bill, to find some way to get Americans to serve on our naval vessels. That is what we are trying to do, and not to hand over some money to anybody in particular.

Mr. FURUSETH. If you want men to serve on the naval vessels, it would be well, to begin with, to make such arrangements that there would be some men on the merchant vessels who would be fit to go into the Navy; and there is a bill before you that will do those things.

Mr. HUMPHREY. What bill is that?

Mr. FURUSETH. A bill introduced by Mr. Spight. If you pass that bill you will get not only the necessary amount of men to man your Navy, but in a short time—say, in a few years—you will have an actual, real American personnel; you will again have the native-born American at sea.

Mr. HUMPHREY. I wish you would explain that bill, because I would support such a bill.

Mr. FURUSETH. If you will give me the time to do it, I shall be most happy to do it. Just now I am trying to say something about this bill.

Mr. SPIGHT. You will have the opportunity to do that at another time.

Mr. FURUSETH. All right.

Now, this bill says that a certain number of men must be in the naval reserve in order that the owner may get the subsidy. As we see that matter, it means that the vessel is being used as a press gang. We say that when the United States needed men they did not have to hunt very far and use very much of a press gang to get the seamen; but you can not get in this way the kind of men who were at the guns at Hampton Roads and kept on fighting until the vessel sunk.

Mr. HUMPHREY. You think, then, that the man who would volunteer to enter the naval reserve would not make the right kind of a seaman?

Mr. FURUSETH. I think the man who would volunteer under these conditions would not be the right kind of a seaman. If you want to prescribe that a seaman in the United States shall serve a certain time in the Navy, I shall not work before you to oppose it, I am sure. If you want to make compulsory a year's service to the United States as a Government, to the United States and its people, we shall not oppose it. But if you want, as in this bill, to tie us hand and foot and turn us over to the shipowner for him to do as he likes with us, while you pretend to do something for us, then we shall protest. And in reference to this I desire to file a resolution.

Mr. HUMPHREY. Mr. Furuseth, may I interrupt you again? I do not want to bother you, but I do want to find out where you stand on the bill, if I can.

Mr. FURUSETH. You will find out.

Mr. HUMPHREY. Suppose this matter about the naval reserve was stricken out entirely, would the rest of the bill meet your approval?

Mr. FURUSETH. If you will strike out section 1, section 3, section 7, and the latter part of section 8, we would have no objection to the rest of the bill.

Mr. HUMPHREY. What would be left after those sections were out?

Mr. FURUSETH. A subsidy paid to the shipowner for running his vessel, and an authorization for the Postmaster-General to make agreements with shipowners to pay a certain subsidy, mail or otherwise.

The ACTING CHAIRMAN. That proposition practically eliminates everything in the bill, does it not?

Mr. FURUSETH. My proposition eliminates everything in the bill that has to do with the seaman.

Mr. HINSHAW. But it leaves the subsidy?

Mr. FURUSETH. It leaves the subsidy. Now, I say that when you have done that you have passed that bill because you want to give that to the shipholder, and we have no complaint to make. But if you say that you will pass it because the American seaman in the foreign trade gets more pay, lives better, has a better fore-castle, and the vessel is better manned, then we say that is not the proper foundation upon which to put it, because that is not true. But put it upon any other foundation that you please and we shall not have a word to say against it.

Mr. HINSHAW. Do you mean to say that the American seamen employed on American vessels are not better paid than those in foreign trade?

Mr. FURUSETH. That depends upon what trade the seaman is in. If he is in the foreign trade, I shall come to that by and by.

With reference to the position that the seamen take upon this matter, I desire to submit a resolution from the Lake Seamen's Union, one clause of which says:

Fourth. Under such conditions we would rather quit the sea, since it would be a notice to us that we must, as seamen, give up any hope of improvement in our life. We have asked for laws in accord with American ideas, and we are getting more servitude and more discriminations against us.

That is part of the resolution.

(The entire resolution above referred to is as follows:)

Lake Seamen's Union.

RESOLUTION.

Whereas the United States Senate is about to vote upon the subsidy bill: Therefore be it

Resolved by the Lake Seamen's Union in meeting assembled, That we respectfully but earnestly protest against the bill in its present form and appeal to the Senate to strike out subsections 3 and 6 of section 3, for the following reasons:

First. Subsection 3 appears to give some advantage to the seaman, but in reality lowers the standard of efficiency by authorizing the vessel to go to sea with but half of the crew able seamen. They have done so in the past, but in violation of the spirit, if not the letter, of the law.

Second. Subsection 6 provides that the owner must have a certain number of naval reserves to get the subsidy; this means that the seamen must be in the reserves in order to get employment. This is conscription, pure and simple, and we protest against being selected for this while other men may under ordinary conditions choose whether they will enlist or not until the nation needs all its men.

Third. It would compel us to be in the military service from 21 to 47 or quit the sea.

Fourth. Under such conditions we would rather quit the sea, since it would be a notice to us that we must, as seamen, give up any hope of improvement in our life. We have asked for laws in accord with American ideas, and we are getting more servitude and more discriminations against us.

Fifth. The discrimination is coupled with a bonus, which places us in the position of receiving, while in health, money which we have not earned, and which is therefore in the eyes of honest men dishonorable.

Sixth. The striking out of these two sections leaves it to each seaman to choose for himself whether he will accept the bonus or not, and this we respectfully suggest is a privilege granted to all other servants. As working men we ask to be permitted to retain so much of the respect of our fellows and ourselves as our present status has made it possible for us to keep.

On behalf of the Lake Seamen's Union.

V. A. OLANDER,
Assistant Secretary.

F. A. HANSON, *Chairman*.

CHICAGO, ILL., February 9, 1906.

Mr. GOULDER. Mr. Furuseth, being familiar with lake conditions, I would like to ask whether you object to the provision which includes the lake seamen in the retainer?

Mr. FURUSETH. The lake seamen object for themselves.

Mr. GOULDER. I am not talking about that; but what is your position on that matter? I would like to know for information. I ask you in good faith.

Mr. FURUSETH. My personal position in this matter?

Mr. GOULDER. Either that or the position of the people you represent; I do not care about that. I am asking for information, in good faith.

Mr. FURUSETH. The resolution that I have filed states their emphatic opposition to the bill.

Mr. GOULDER. I am inclined to agree with you on that point myself.

Mr. FURUSETH. It recites their emphatic opposition to the bill. Here is a resolution on the same subject from New York.

Mr. GOULDEN. From the Seamen's Union?

Mr. FURUSETH. Yes.

Mr. HUMPHREY. Are they both the same resolution?

Mr. FURUSETH. No; they are not the same resolution.

The ACTING CHAIRMAN. There is a change in the wording, of course.

Mr. FURUSETH. There is a change in the wording; of course the feeling and sentiment about it is the same. The fact of the matter is that where men have understood the bill there has been no question about it.

(The resolution referred to is as follows:)

The New York agency of the Atlantic Coast Seamen's Union, at its meeting on February 5, acted on the ship-subsidy bill by the adoption of the following resolutions:

"Whereas the Senate is about to vote on the subsidy bill: Therefore be it

Resolved, That we who are seeking to make a living by going to sea do hereby enter our respectful protest against this measure on the grounds that—

"1. This bill will compel us to join the naval reserves in order to get employment on one of these subsidized vessels.

"2. It establishes a system of industrial passport which will be used to blacklist those among us who as yet are willing to forego prospects of advancement by insisting upon better conditions.

"3. It makes us subject to being called upon to serve in war against our will, and for practically our entire life as seamen.

"4. It makes of us the unwilling dray horses to carry away plunder in which we are supposed to participate, at least to some extent.

"5. It imposes upon us a subvention or bonus which we never asked for, and against which we protest.

"6. We have asked for freedom and reasonable conditions, so that we might help ourselves as best we could to reasonable wages for honest work given to those who employ us and not for any bonus to be paid by the people, who do not employ us.

"We especially and respectfully urge that subsections 3 and 6 of section 3 be stricken out."

Mr. FURUSETH. I would like to say that a year ago, after this bill came out first, I went to a meeting in Boston; I sent the bill there first, and went to the meeting afterwards; and before the meeting came to order I wanted to get their opinion about it. Before the meeting came to order at all several men came to me and asked me what the Commission meant by reporting such a bill as that. They thought the Commission was going to report something that would improve the condition of the seamen. "Well," I said, "doesn't it?" "No;" and then one of the men said: "I wish they would keep their tips for the table waiters and give us freedom."

Mr. GOULDER. Mr. Chairman, may I ask a question for information? I would like to ask this, Mr. Furuseth: Now, understand me—I am asking it to get information. The information came up to our lake region that that inclusion of the lake seamen in the retainer was gotten into the bill at your instance. Is that true or not?

Mr. FURUSETH. No; no.

Mr. GOULDER. That is the information that came up there—that you had gotten that in through one of the Senators; and we were somewhat wondering about it.

Mr. FURUSETH. I certainly should not do that.

Mr. GOULDER. You say that is not true?

Mr. FURUSETH. Certainly it is not.

Mr. GOULDER. We got that information.

Mr. FURUSETH. What purpose would I have——

Mr. GOULDER. I do not want to argue it, Mr. Furuseth. We simply got that information.

Mr. FURUSETH. The information was very inaccurate information, then.

The ACTING CHAIRMAN. You were coaching Senator Spooner about that time, you know, on other matters. That I know; and it was assumed up there that perhaps you had suggested it to him.

Mr. GOULDER. It was not simply assumed, Mr. Chairman; the information came to us that that was the fact.

Mr. FURUSETH. I do not know what you may have heard in the matter of suggestions of that kind, but I did not do any suggesting. If I have anything to say to any member of Congress or any Senator, and he is gracious enough to permit me to say it, I say it straight; I never "suggest." I am not in a position to do that, because I know the relationship that exists between the seamen and the rest of the citizens of the country, and I do not presume to do what many other people may think they have the right to do.

The ACTING CHAIRMAN. Oh, well, you do not hesitate to suggest your ideas. You have your own ideas about those things, and some of them are very good. I have had very many interesting talks with you on these same lines. I do not think it would be any crime if you had suggested something like that.

Mr. FURUSETH. When it comes to suggesting a thing in any regular, open way, as I do here, I do.

The ACTING CHAIRMAN. That is all there is to it.

Mr. FURUSETH. That is a different proposition. But seeing that the Atlantic and Pacific seamen are opposed to this reserve feature and this bonus business, what possible purpose could I have had but an evil one in helping to foist it upon the men on the Lakes?

Gentlemen, we need to get rid of these things. We do not want them put upon anybody. We want to be treated as American citizens, the same as other men are. We do not want these discriminations against us—imprisonment here, conscription there.

With reference to the amount of the subsidies that the shipowners are getting now, I will state that they more than pay the total wages of the men employed on board the vessels. I think you can very easily verify that by finding how much the *Admiral Dewey* gets, because that table is taken from the shipping articles, and gives the amount of money paid to each member of its crew, except the captain.

Mr. HUMPHREY. What kind of a ship is the *Admiral Dewey*?

Mr. FURUSETH. The *Admiral Dewey* is a steamer running between Boston and New York and down the coast, in the banana trade.

The ACTING CHAIRMAN. A fruit steamer.

Mr. FURUSETH. In the fruit business, carrying fruit and cargo and passengers, etc.

(The table referred to is as follows:)

Admiral Dewey crew.

| | | | |
|---------------------------------|------|-------------------------|-------|
| First mate ----- | \$70 | Fireman ----- | \$40 |
| Second mate ----- | 50 | Do ----- | 40 |
| Boatswain ----- | 30 | Do ----- | 40 |
| Carpenter ----- | 30 | Do ----- | 40 |
| Quartermasters ----- | 30 | Do ----- | 40 |
| Do ----- | 30 | Coal passer ----- | 35 |
| Do ----- | 30 | Do ----- | 35 |
| Cadet ----- | 15 | Do ----- | 35 |
| Deck boy ----- | 15 | Purser ----- | 75 |
| Sailor ----- | 25 | Steward ----- | 40 |
| Do ----- | 25 | Stewardess ----- | 18 |
| Do ----- | 25 | Chief cook ----- | 60 |
| Do ----- | 25 | Second cook ----- | 40 |
| Do ----- | 25 | Third cook ----- | 20 |
| Chief engineer ----- | 135 | Fourth cook ----- | 18 |
| First assistant engineer ----- | 90 | First pantry man ----- | 30 |
| Second assistant engineer ----- | 70 | Second pantry man ----- | 15 |
| Third assistant engineer ----- | 60 | Mess man ----- | 25 |
| Oiler ----- | 45 | Walter ----- | 20 |
| Do ----- | 45 | Do ----- | 20 |
| Do ----- | 45 | Do ----- | 20 |
| Do ----- | 45 | Do ----- | 20 |
| Do ----- | 45 | Do ----- | 20 |
| Do ----- | 45 | Do ----- | 20 |
| Cadet engineer ----- | 15 | Do ----- | 20 |
| Fireman ----- | 40 | Do ----- | 20 |
| Do ----- | 40 | Do ----- | 20 |
| Do ----- | 40 | Do ----- | 20 |
| Do ----- | 40 | Mess boy ----- | 10 |
| Do ----- | 40 | | |
| | | Total in wages ----- | 2,101 |

Fifty-eight men.

Mr. HUMPHREY. Does the *Admiral Dewey* get a mail subsidy?

Mr. FURUSETH. She gets a subsidy; yes.

Mr. HUMPHREY. You know that that only applies to a few of the vessels, do you not?

Mr. FURUSETH. As many as it applies to—I say, generally speaking, that the subsidy that is now being paid covers the wages paid; not the difference in the wages paid, but the sum total of the wages paid.

Mr. HUMPHREY. That is, it does where the subsidy is paid the vessel; but you do not claim that all the vessels are subsidized?

Mr. FURUSETH. Oh, no, no, no, no; I do not.

Mr. HUMPHREY. That is what I thought.

Mr. FURUSETH. Now, it is said that the American seamen in the foreign trade have better accommodations. This book that I have here is a report by a committee appointed by the board of trade to inquire into certain questions affecting the mercantile marine, and contains the minutes of evidence, appendices, and index, published in 1903. It is an English Government publication, published by the Government as the result of the report of a commission appointed by the board of trade to ascertain why the Englishman is quitting the sea, and why, under existing conditions, England will shortly be, if she is not already, in the position where she will be unable to man her navy.

Mr. GOULDEN. Tell us what that board of trade is.

Mr. FURUSETH. The board of trade corresponds to the Secretary of Commerce and Labor here. Now, they publish in this book what are laid down as the rules for the forecastles in the different nations:

The United States: Twelve feet, 72 cubic feet.

Germany: Not anything applicable throughout the German Empire, but made different in the different parts of Hamburg, Lubeck, Oldenburg, and Brunswick.

Norway has a larger space than the United States, and there is a bill before the Norwegian Storthing at the present time, or has been lately, increasing the size to 120 cubic feet of air space and 18 feet on the floor.

Mr. SPIGHT. That is for each man?

Mr. FURUSETH. For each man. We are asking in our bill for much less than that—16 feet, I think it is, on the floor.

As it is put down here, the Lamport & Holt is 22.8 feet per man on the floor; the British India Company, 13.2; the City Line Steamship Company, 12.5; Henderson Brothers, the Anchor Line, 14.6; Furness, Withy & Co., 14.8; the City of Dublin Steam Packet Company, 17.2; The Ocean Steamship Company, 21.5; The Union Castle Company, 16.6; the White Star Line, 17; The Leyland Company, 16.4; J. and A. Allan, 16.4; the Cunarders, 17.2; Ropener & Co., 17.9; T. Wilson & Son, 14.8; James P. Corry & Co., 14 and a fraction; the Peninsular and Oriental Steamship Company, 17 and a fraction; the China Navigation Company, 15 and a fraction; MacLay & McIntyre, 16 and a fraction; James Fisher & Son, 18 and a fraction, and so on.

You can go through pages and pages of this book. This, by the way, is filed by the assistant secretary of the board of trade. You can go through pages and pages of this book to show that there are only one or two lines in the entire list that get down to 12 feet. So that I make the statement that both as to Germany, as to England, and as to Norway, the forecastle has, in my recollection and in my experience, been better than with us, and from these books I find that it remains so; and we are asking for a minimum forecastle space of 120 feet.

Mr. HINSHAW. Do you know, independent of the book there, that the average space in the American vessel in the forecabin is only 12 feet?

Mr. FURUSETH. In a very large number of them that is all it is.

Mr. HUMPHREY. Has not the law been changed since those figures were given?

Mr. FURUSETH. No; these figures were given in 1903.

Mr. HUMPHREY. When was the American law changed?

Mr. FURUSETH. The American law in that matter was changed in 1897, and that only changed it as far as the sailing vessels built or rebuilt after a certain date in 1897 were concerned.

Mr. HUMPHREY. What is the requirement now?

Mr. FURUSETH. One hundred and sixteen cubic feet.

Mr. HUMPHREY. That is what I thought.

Mr. FURUSETH. As to those vessels built or rebuilt; but the great bulk of American vessels have the same old standard of 12.72.

Mr. HINSHAW. What are some of those vessels?

Mr. FURUSETH. Steam vessels on the coast, the Atlantic coast and the Pacific coast, and some of them on the Lakes; not for the quarter-masters or wheelmen and watchmen, but for the deck hands.

Mr. GOULDER. Do we not have bathrooms on our ships up there?

Mr. FURUSETH. You have, in some instances. I want to say for the ships plying the Lakes that they have better accommodations than those in any other part of the country.

Mr. GOULDER. Do you know a ship that has been built on the Great Lakes within ten years that does not have porcelain bath tubs and shower baths for the crew, open to every member of the crew? Do you know one ship of that kind?

Mr. FURUSETH. I could not say that; I could not say that. I will simply say this with reference to the vessels that are built on the Lakes: So far as I have been able to find out, their accommodations are very good, and all that we would want in our wildest dreams would be to have the law compel less generous owners to be as generous as those men on the Lakes who are giving us those conditions.

Mr. GOULDER. Can you get in Washington, do you suppose, better accommodations as to utility, usefulness, safety, and sanitation than you get on the ships that we are building on the Lakes and have built for ten years?

Mr. FURUSETH. That is a question that is exceptionally broad. I would not care about answering that question offhand. If I were compelled to answer it offhand, I, of course, should have to say "yes;" but I do not want to say anything like that. If you take the whole of Washington and then take the whole of the Lakes, of course I would have to say "yes." But I am not standing here to say anything against the shipowners on the Lakes in that connection.

Mr. GOULDER. I am not speaking of size of accommodations, but of sanitation.

Mr. PENDLETON. As the Atlantic seems to be included in that statement, I would be glad to have Mr. Furuseth furnish to the members of this committee the name of every vessel that he can find on the Atlantic coast that has less than 72 feet, or that has less than 75 feet, or where they have only 12½ feet floor space. He said that some only had 12 feet. I want to say that that statement was made in New

York, and the thing was refuted; and I have never been able to find a vessel that showed that the statement was true.

Mr. FURUSETH. I want to say, in answer, that if it was less than 72 cubic feet the probabilities are that you would find it out quick enough, because of course we would probably take the case to court. But 72 feet is a mighty small affair. It is 6 feet high, 6 feet long, and 2 feet wide—a little too large for a coffin, but a little too small for a grave, according to the statement of a certain Senator.

With reference to the matter of better food, I have in this book a scale of the provisions of the different nations so far as they are made, and a list of the provisions which are given regardless of legal scales. That comes up to and is equal with our own, and in some instances is a little better.

Understand me, gentlemen, I am not saying that every shipowner goes down to the minimum. I am simply saying that there are shipowners who will compel other shipowners to get down to their level. For that reason we have asked, for a very long time, that a reasonable standard be set, so that the shipowner who desires to go to the minimum or below the minimum will not be able to continue to do it. He will not drag the standard down, at least, whatever else he may do.

That is with reference to the matter of better food. Now, with reference to wages, I have not got the time to go through these tables, but there are tables in this book that show the wages in almost every port in Europe. That appears on page 62. Let me see if I can not find some of it quickly.

Here is a statement showing the monthly reports of wages paid at the principal European ports during the quarter ending December 31, 1901. That goes on to show that the wages—I have not time to quote it—are different in each port. The difference in wages between the Baltic ports of Germany and the North Sea ports of Germany is as large as between New York and Southampton. The wages in the south of France and in Belgium and in Stockholm are entirely different. The difference is in the different ports, but the wages are not different by different flags. The wages of the seamen depend upon the port and the trade, not upon the flag.

With reference to this book here, as to the condition of seamen, a German philosophical society published in 1903 two volumes of information on that subject, which they had obtained from the best-informed men in the different civilized countries. The philosophical society had no ax to grind. It wanted the facts, and they are to be found in those two books. I have not time to go over them, but they show exactly what I have stated to you with reference to wages.

It has been stated here that the Norwegian vessels bring their crews with them; that the vessels sailing between British Columbia and San Francisco pay Norwegian wages in Norwegian ships; that is true; and that they will pay less wages than the American vessels, and that is true. It is also stated that there are other vessels in the fruit business that sail from the northern ports or the middle ports or the southern ports down to the West Indies or down to Central America in the fruit business, and that they will bring their crews in them from Norway or from Germany, as the case may be, and their wages will be less. That is true.

Instead of leveling down, as the purpose seems to be, all you have to do in this matter is to strike out and repeal section 7280, I think it is; anyhow, I mean the section which provides for the arrest, detention, and delivering back to a foreign vessel of any seaman who might have run away from her. This section of our law is one under which we make arrangements for assisting the foreign shipowner to keep his cheap men after he gets into competition with the American ship-owners in the American coasting trade, so to speak. Now, if you would strike out that section and also strike out of the commercial and extradition treaties the sections that provide for the arrest and detention and delivering up of a merchant seaman because he has left a vessel upon which he was supposed to work, there will be no difference in the wages of those vessels that come over here in that way, and the American who now hires those vessels will hire American vessels in the place of them, because he will not have the advantage that he has now. Wherever we can—I am making a frank confession to you, because I always speak exactly as I think and as I know—wherever we can we induce those men to desert, and we think we are doing a good thing, both for the shipowner and for ourselves.

Mr. HUMPHREY. Do you do that, in spite of the law to the contrary?

Mr. FURUSETH. We do that in spite of the law; yes; because we do not think that any decent, good, honest American citizen will ever blame us very much for assuming that a man's body belongs to himself, and that he has a right to quit work that he has gotten tired of.

Mr. HUMPHREY. You set up your judgment, then, against that of the law?

Mr. FURUSETH. On the question of human liberty; if the law sets itself up against human liberty, I think the law should be changed.

Mr. HUMPHREY. But you reserve to yourself the right to judge?

Mr. FURUSETH. I am in accord, fortunately, sir, with the thirteenth amendment of the Constitution of the United States. I am in accord, too, with the Declaration of Independence of the United States. I think that in this matter I am in accord with the best and highest ideals of men in the United States. The fact of the matter is, sir, that when I became a citizen of the United States I did so because I admired its institutions and its high standards of citizenship and its high standard of human liberty. I did not know then that I, as a seaman, was put apart from that, that I was denied it; I had not learned enough then to know.

Mr. HUMPHREY. Would you concede that right to everybody else—that it is the right of every citizen to violate law where, in his judgment, it conflicts with his liberties?

Mr. FURUSETH. Oh, Mr. Humphrey, that is not a fair question to put to me.

Mr. HUMPHREY. I understood you to say that you evaded the law.

Mr. FURUSETH. You may have understood that, but I was not fortunate in my expression. I have never said that I would violate the law. I have never said that. But I said that in this particular instance, where your law robs him of his and me of my individual liberty, when you do that with no other man in the country, we do not consider the law binding upon us; and you can make the most out of that.

Mr. HUMPHREY. That is, where it does that in your judgment? No courts have decided that, have they?

Mr. FURUSETH. Oh, yes; thank God; they have.

Mr. HUMPHREY. Can you cite those decisions?

Mr. FURUSETH. Oh, yes; I think I can find some.

Mr. HUMPHREY. I wish you would. I would like to see them.

Mr. FURUSETH. I want to say with reference to that matter that the law under which a seaman is arrested and taken back and made to work against his will was passed in 1790. The law under which a negro was taken back was passed much later, but the law of the seaman served as a model upon which to build the other; and when it was applied to the negro, the citizens of Ohio and New York and all of the Northern States gave their blood and treasure to prevent it. They said they did not want to be the slave catchers for the citizens of the South. Equally, I say unto you, I do not want the rest of the United States to be the slave catchers for the shipowners, either of England or of Europe or of this country.

Mr. HUMPHREY. I do not presume anybody else does. Now, I did not ask you about this; you made that statement yourself that you would violate the law.

Mr. FURUSETH. That particular law—yes.

Mr. HUMPHREY. The question I was trying to get you to answer was not as to the justification of the law, but whether or not you believed, when a law conflicted with your liberty, that you had the right to evade it, that you had the right to defy it when it was your judgment that it did conflict with your liberty, and whether you were willing that every other citizen in the United States should take unto himself the same right, that whenever he thought that any law conflicted with his liberty he should be at liberty to disobey it and defy it?

Mr. FURUSETH. To begin with, I said I made that a specific occasion.

Mr. HUMPHREY. Yes; you pointed out that particular law. Now I ask you—

Mr. FURUSETH. Now, if you want to generalize it, in answer to you I say “no;” I will not do that.

Mr. HUMPHREY. All right; I just wanted to understand it.

Mr. FURUSETH. But there are things in which my liberty is being trespassed upon, and when it is I shall take the matter to the courts.

Mr. HUMPHREY. Yes; but you did not say that a while ago.

Mr. FURUSETH. I said in this particular instance, sir. For God’s sake, what more can I say?

Mr. HUMPHREY. Why did you not take this matter to the courts instead of taking the law into your own hands?

Mr. FURUSETH. We have taken it to court in one instance; they ruled against us, but one of the judges ruled for us. We took it here to the United States Congress and they wiped out part of it. They refused to wipe it all out at the time, and I could tell why it was not all wiped out.

Mr. HUMPHREY. What did the majority—

Mr. FURUSETH. Now, I—

Mr. HUMPHREY. One moment, please.

Mr. FURUSETH. Will you give me more time?

Mr. HUMPHREY. You evade the question. We will give you some more time. Did the majority of the court decide against you or for you?

Mr. FURUSETH. The majority of the court decided that the thirteenth amendment did not apply to seamen.

Mr. HUMPHREY. They decided that you were outside of the Constitution?

Mr. FURUSETH. That is exactly what they did. Now, as a lawyer, I do not know how you like it, but that is what they decided. They decided that it did not apply to seamen.

Mr. HUMPHREY. And so, in your judgment, as they have decided that, you think that you are at liberty to disregard the law?

Mr. FURUSETH. Oh, no, no, no. I think we are at liberty to come before you gentlemen and plead for our rights.

Mr. HUMPHREY. That is all right; but that is not what you said a while ago.

Mr. FURUSETH. And we think more; we think more—I think more, at least. I have deserted from a vessel more than once because I was not fairly treated there, and I am likely to desert again if I am not fairly treated, or for any reasons that are decent and proper. I do not do it for fun. When a man leaves behind him \$40 or \$60 or \$100 he does not do it for fun; and I have seen men leaving behind them \$200, and I have seen men driven out of a vessel, kicked out of a vessel, compelled to leave a vessel. Why, in the vessel that I first came to San Francisco in I was distinctly and emphatically told that if I did not get out that night I would not be able to get in my clothes the next morning; so I got out that night, of course.

Mr. HUMPHREY. Then, you being the president of the sailors' union, do you teach the members of your union that it is their right to disobey the law?

Mr. FURUSETH. No, sir.

Mr. HUMPHREY. And desert whenever they please?

Mr. FURUSETH. No, sir.

Mr. HUMPHREY. You said a while ago that you had done that, did you not?

Mr. FURUSETH. I say that I do that for myself.

Mr. HUMPHREY. Did you not say, a few minutes ago, that you had instigated others to do it?

Mr. FURUSETH. That I had deserted.

Mr. HUMPHREY. Did you not say that you had instigated others to do it?

Mr. FURUSETH. That I had instigated others to desert?

Mr. HUMPHREY. Yes, sir.

Mr. FURUSETH. Oh, I understand you; yes, I did. I went on board of a Norwegian vessel lying in San Francisco Harbor; the men had shipped in Norway for \$16 a month and they came into competition with us in California who were receiving \$40 a month. The shipowners were complaining against the competition, and we—

Mr. HUMPHREY. Did you not say a minute ago that the port fixed the wages?

Mr. FURUSETH. I say the port of shipment fixes the wages; and I am going to come to that shipment question here in a minute. Now, then, these men understood my language—or, rather, I understood

theirs—and I went on board and said to those men, “Now, here; these owners have brought you here to run your vessel in competition with our owners, and you are in competition with us. Come ashore. We will take care of you; we will go with you; we will share what we have with you, and we will ship along with you in some other vessel; and if you can get the same wages that we are getting, go back in the same vessel.”

Mr. HUMPHREY. Then you believe that whenever people compete with you, when they happen to come in competition with you and are likely to reduce your wages, you are justified in advising them to violate the law and take the law in their own hands?

Mr. FURUSETH. I believe, as I said before, that if a law holds a man—and I know no other law that does this, mind you; I know no other law but this, and if you want it broad enough, I know of no other law in the United States that does this thing. I have never preached the violation of the law to anybody. I have never said what I am going to say now in a meeting of the Sailors' Union, and it is this: The law that robs me of my right as a man, my ownership in my own body, I will violate, and I will go to jail, if necessary, for doing it. Now, if you can get it broader than that, please take it.

Mr. HINSHAW. What you mean, to some of us that do not understand the sea very well, is that in an ordinary employment—on a farm, for instance, or in a manufacturing institution—if a man leaves his employment he may forfeit his wages which have not been paid, but that he can not be imprisoned for it; and you mean to say that in the seagoing business the seaman may be imprisoned for a forfeiture of the contract?

Mr. FURUSETH. Yes; that is just it. He is arrested, put into prison, kept there as long as the shipowner may desire, and then taken back again on board of a vessel, there to work against his own inclination or against his own will, and the cost of his maintenance while in prison is taken out of his wages.

Mr. HUMPHREY. Is that so in the coastwise trade?

Mr. FURUSETH. No; that has been abolished, and the chairman of this committee, Mr. Minor, was one of the men that helped to do it, and he helped to go much further. He knows very well the reason why it could not be gotten further. There is no need of my saying that.

Mr. GOULDER. That was done by a law of 1789, was it not?

Mr. FURUSETH. No; it is the law of 1790. Then, in 1867, when the statutes were amended—

Mr. GOULDER. 1872.

Mr. FURUSETH. Yes; when they were recodified according to the thirteenth amendment, and all the involuntary servitude stricken out everywhere else—no; it was not in 1872; it was in 1867.

Mr. GOULDER. The statutes were revised in 1867 and went into effect in 1872.

Mr. FURUSETH. In 1872 they passed the law about the seamen in which they made the compulsory service and the involuntary servitude more bitter and more harsh than it had ever been. The thirteenth amendment had wiped out the imprisonment and the involuntary servitude as to everybody else, but instead of letting it extend to the seaman it was purposely and deliberately left upon him. And then some one suggests that an American boy, brought up in an

American school, with American ideas of liberty, is to go into an employment so disgraced, so discredited as that.

Mr. HUMPHREY. When you did have American boys in this employment that was the law, was it not, both in the coastwise and the other trade?

Mr. FURUSETH. That was before the adoption of the thirteenth amendment; and let me suggest that when you had the American man and the American boy, the American owner and the American master and the American before the mast came from very much the same community, and they did then what we do now on board of a good vessel—they put the law book into the cabin bunk and forgot it was on board. We never go by law at sea unless there is trouble.

Mr. HUMPHREY. But the law was the same?

Mr. FURUSETH. The law was the same, but the law only hurts the man who feels it. The prod does not sting the man if it is not going through him; and until a man has the shackles on his hands he does not feel them, except he is a man of an exceptionally highly organized nature.

Now, when England, in 1740, adopted this kind of legislation, Lord Chatham said:

Sir, the two honorable and learned gentlemen who spoke in favor of this clause were pleased to show that our seamen are half slaves already, and now they modestly desire that you shall make them wholly so. Will this increase your number of seamen, or will it make those you have more willing to serve you? Can you expect that any man will make himself a slave if he can avoid it? Can you expect that any man will breed his child to be a slave? Can you expect that seamen will venture their lives or their limbs for a country that has made them slaves? Or can you expect that any seaman will stay in the country if he can by any means make his escape? Sir, if you pass this law you must, in my opinion, do with your seamen as they do with their galley slaves in France—you must chain them to their ships or chain them in couples when they go ashore.

When England passed that law there were no extradition treaties as dealing with seamen. There were no statutes by which one country promised to be the slave catcher for another. The very thing that Lord Chatham said would be the result came, and, as far as I have read history, the men who fought under Paul Jones were Englishmen to a large number. Englishmen fought for American freedom under the American flag. Go on along from the beginning of the Government to 1813. The American shipowner could get anybody he wanted to get from anywhere, and England, hunting for men who had run away from her under her laws, boarded American ships and said: "What did you have for breakfast this morning?" And if a man did not pronounce the word "tea" right, "All right, Mr. Tay; you go down in that boat." And so they took them back.

Then our country passed a law that all the men on board of an American vessel should be American citizens, either native or naturalized; that they should not employ anybody else. That law lasted to 1830. The shipowners then got it reduced to two-thirds. In 1864 they got it reduced to the officers only. So now they are free, free as the birds to get men from anywhere, any race, any country, regardless of skill, regardless of experience; any man, hungry, destitute, on the docks alongside of a ship, might be taken and called a sailor and put on board of a vessel. With that kind of conditions the American seamen have had to compete, and as a result they have left the sea,

and you have no American seamen to speak of. Ten per cent of the 75,000, probably, are natives. Some man said to-day or yesterday that only 5 per cent were American citizens on the Pacific coast. I want to say that there are some 7,000 seamen there, and about 1,000 registered to vote, so there must be more than 5 per cent citizens.

Mr. HUMPHREY. I made that statement. I may be wrong about it, but—

Mr. FURUSETH. You misunderstood the statement that we made to you as a member of the Commission out there, I guess.

Mr. HUMPHREY. I may have misunderstood the information, but I got it from you. There is where I got it.

Mr. FURUSETH. Then you misunderstood it.

Mr. HUMPHREY. You are the man I depended upon. I may have misunderstood you.

Mr. FURUSETH. We said only 5 per cent were native born.

What have we been struggling for, we men of the Pacific coast, all these many years, and on the Lakes, and on the Atlantic? To get the condition of the seamen such that the American boy would again come to sea and the American man stay there. That is our highest purpose, our highest aim. We go before you in a commission, and we state these things; we show you the bill that we have drafted, respectfully, and all that you put into your bill here is something—oh, yes; you decide that a certain number of men shall be citizens. Why, they have to be citizens now. A greater number than that have to be citizens now, because included in the crew are the officers, and the officers have to be citizens now. It does not make any difference. You say in another part of the bill—you say that a man who has been two years at sea shall be an able seaman. Why, two years does not make an able seaman, no matter if Congress says so.

Mr. HUMPHREY. I agree with you exactly on that.

Mr. FURUSETH. Even if Congress says so. Three years would give the necessary experience to an ordinary man; and that is the proposition.

Mr. HUMPHREY. Some of them never would be able seamen.

Mr. FURUSETH. Well, then, if some of them would not ever be able seamen, in less than three years they would find out that they had no business on the water.

Mr. HUMPHREY. Exactly.

Mr. FURUSETH. Now, if I had the time, I could show you from these books—oh, I forgot one thing; I forgot one thing.

Mr. HUMPHREY. I move that Mr. Furuseth be allowed to proceed, because of interruptions.

Mr. FURUSETH. I have forgotten one thing, a very important thing.

Mr. HUMPHREY. Mr. Chairman, I move that the gentleman be allowed to proceed.

Mr. FURUSETH. In 1884 the following law was passed:

Every master of a vessel in the foreign trade may engage any seaman at any port out of the United States in the manner provided by law to serve for one or more round trips from the port of departure, or for a definite time, whatever the destination; and the master of such vessel clearing from the United States with one or more seamen so engaged to a foreign port, as herein provided, shall not be required to reship the same in the United States.

That, sir, was passed for the purpose of equalizing the wages of American ships and foreign ships, and it did do it. The men who sail between Puget Sound and San Francisco and China and the

Orient are not shipped on the Pacific coast. They are shipped in Hongkong or Yokohama. The men who are shipped to go between New York and Curaçoa are not shipped in New York; they are shipped in Curaçoa, all of them that can be shipped there, in accordance with the number of men that they must have as citizens.

Going to your American Line—the four vessels—they ship their sailors and their firemen on this side, because they have to have 50 per cent American citizens under their contract with the Government; but they ship all their cooks and stewards at Southampton and at English wages. Some years ago they shipped their sailors in Southampton at English wages.

Go to other vessels. Wherever there is an American vessel going to a foreign port, coming and going all along, and she does not have to have a certain number of American citizens, that section of the law is taken advantage of, and the vessel signs her crew in the foreign port; and under the law as it was up to 1898 she could hold them by police protection in New York City. Now, of course, thank God, they can not; they will leave.

That part of the law there was put in the law for no other purpose, as you will find if you will read what is to be found in the Senate records on that question. It accomplishes its purpose, and it fills the vessels in the China trade with Chinamen; and, by the way, is there anything in this bill to exclude Chinamen? Is there anything in this bill to exclude the Japanese or the Asiatics? Nothing; not a word. Is there anything in this bill to exclude the West Indian negro? Not a word. The Krooman, from the South American coast? Not a word. Is there anything to say that in the fore-castle any man who is not an officer shall have any specific kind of knowledge, any specific kind of skill? No; not a word. There is not a thing in it that will make the condition of the seaman any better than it is.

And, in addition to that, you have a pretense that the seaman is to get a certain amount of money. The money must go to the owner. There is no possibility that a seaman ever could get it.

The ACTING CHAIRMAN. How is the owner going to get that money, Mr. Furuseth?

Mr. FURUSETH. By saying to the sailor: "Now, John, I want you to go to Australia. You know that you will be entitled to so much money. Now, you will have all kinds of trouble to get that money. You sign that over to me, and I will collect it." A sailor, knowing that he can not collect it himself except at the shipowner's good grace is going to assign it to him.

The ACTING CHAIRMAN. I can not understand that.

Mr. FURUSETH. You can not understand it?

The ACTING CHAIRMAN. No. That is a stretch of the imagination on your part, pure and simple.

Mr. HUMPHREY. You mean that he is going to do it because he is going to steal it, just the same as any other man might steal anything?

Mr. FURUSETH. No, no; do not use such harsh words.

Mr. HUMPHREY. I do not think that is too harsh a word.

Mr. FURUSETH. It would be pure business.

Mr. HUMPHREY. No; it would not be business; it would be stealing if the owner of the vessel should do that.

Mr. FURUSETH. Mr. Humphrey, a good business man will get out of the business all there is in it, won't he?

Mr. HUMPHREY. No; not if he has to steal, he will not.

Mr. FURUSETH. But that is not stealing.

Mr. HUMPHREY. Or if he has to oppress somebody else.

Mr. FURUSETH. That is not stealing.

Mr. HUMPHREY. It would be.

Mr. FURUSETH. As a legislator you say to the seaman: "If you want to get employment, you agree to sign this kind of a contract or else you can not get any employment."

Mr. HUMPHREY. We do not say anything of the kind.

Mr. FURUSETH. Then you throw the blame on me because I sign it, and your conscience is clear. Now, a shipowner has just as good a conscience—not quite as good a conscience as you and the rest of us, but he has a better conscience than I—much more so.

Mr. HUMPHREY. Would you take it if you were in his position?

Mr. FURUSETH. He clears his conscience in the matter by saying that I agree to that, and if I give him that he is justified in taking what I give him of my own free will.

Mr. GOULDER. Mr. Furuseth, would you object to my asking you a question?

Mr. FURUSETH. Not at all.

Mr. GOULDER. Will you tell this committee who it is, what authority, that determines ultimately the number of crew carried on ships on the Pacific coast? Who fixes that?

Mr. FURUSETH. The shipowner.

Mr. GOULDER. Is it not fixed by the Seamen's Union?

Mr. FURUSETH. No; it is fixed—

Mr. GOULDER. Is it not fixed by your union?

Mr. FURUSETH. No.

Mr. GOULDER. Is not that true?

Mr. FURUSETH. No.

Mr. HUMPHREY. Why do you not go a little further and say not only that they fix the number, but whom they shall employ?

Mr. FURUSETH. I will tell you what we do: We find so many men. If a shipowner proposes to reduce the number of men that it has been customary to carry in that vessel—

Mr. GOULDER. Then what happens?

Mr. FURUSETH. Then we object.

Mr. GOULDER. Then what happens?

Mr. FURUSETH. What happens? We object, and if he does not listen to our respectful objection we do not go in the vessel.

Mr. GOULDER. But you do not tell the committee what happens. If the Seamen's Union, of which you are the official head, is not suited with the number of men to be employed—I am not talking about wages at present, but the number of men to be employed as firemen and in other capacities—what absolutely does happen if there is a disagreement?

Mr. FURUSETH. What will happen in any other line.

Mr. GOULDER. What is it? Tell the committee.

Mr. FURUSETH. We simply quit work; that is all.

Mr. GOULDER. And he can not—

Mr. FURUSETH. We simply talk the matter over, and if we can not

come to an agreement we say: "Well, we won't work for you," and he says, "I won't employ you."

Mr. GOULDER. Very well. Now, is it not true that he then can not run his boat? Is not that the fact, the result?

Mr. FURUSETH. That he can not run his boat?

Mr. GOULDER. That he does not run his boat.

Mr. FURUSETH. Why, gracious me, he can run the boat just the same.

Mr. GOULDER. I know he can, theoretically; but I am talking about the actual result.

Mr. FURUSETH. I want to say, too, that there are a dozen vessels and more running on the Pacific coast without any members of the sailors' union on them at all.

Mr. GOULDER. Out of how many ships?

Mr. FURUSETH. Oh, out of a good many ships.

Mr. HUMPHREY. Out of something over 2,000.

Mr. FURUSETH. No; I do not know; I never counted them; but it does not take more than 5,000 sailors to run them, so there can not be 2,000 ships.

Mr. HUMPHREY. Did you not state here in this committee room, not a month ago, when this question of manning ships was coming up, that the Sailors' Union on the Pacific coast furnished the crews? Referring now specifically to the *Valencia*, and to a question I asked you, did you not say there (perhaps not in terms, but in substance) that you were satisfied with the crew of the *Valencia*, because they were a crew that were furnished by the Sailors' Union, and that the Sailors' Union on the Pacific had no complaint to make, because they furnished the crew? Did you not say that in substance right in this room?

Mr. FURUSETH. No; I did not.

Mr. HUMPHREY. That is a fact, anyway, is it not?

Mr. FURUSETH. I must protest that I did not say any such thing, in substance.

Mr. HUMPHREY. That is a fact, anyway, is it not, whether you said it or not?

Mr. FURUSETH. No; it is not a fact. Now, as a matter of fact, this is the fact: The Pacific Coast Steamship Company determine the number of men they want to carry. They determined it years ago on the vessels, or they determine it when they get a new vessel, and they hire men. Now, they hire members of the Sailors' Union, because there is not anybody else, and because they are the best men they can possibly have; they have said so over and over again. As to the *Valencia*, I do not know how many men she had; but when you made the investigation you will remember that as far as the deck crew of the *Valencia* was concerned there was no particular lack of skill on their part. I do not know; I can not tell; but I will simply say this: That if the standard as it was there was so low as to be subject to criticism, then the standard in other places must be still more so, because many others take any man from the dock, regardless of whether he has ever been to sea or not.

Mr. HUMPHREY. But your union does dictate how many members of the crew are to be carried on the vessels on the Pacific, and you know that, do you not?

Mr. FURUSETH. I wish we could, since the Government will not.

Mr. HUMPHREY. Do you deny that fact now?

Mr. FURUSETH. I do deny that, for we can not dictate. I do deny that fact; yes.

Mr. HUMPHREY. Will you deny this fact—that there have been a number of vessels that have refused to carry the number of crew that your union fixed, and that you prevented them from sailing, or, at least, your union would not work for them, and that they were compelled to carry and are now carrying the number of men that you fixed in order to get their crews?

Mr. FURUSETH. It happened on two or three occasions in a schooner, where a man wanted to reduce the number of men, and a complaint was made to the shipowner in question, and it was taken up by the Shipowners' Association, and it was held that we were right, that they ought not to reduce the number of men. All the power that we have as a sailors' union on the Pacific coast we have gotten partly by the good graces of the shipowner, who is willing that we should have it, and partly by the fact that we have been able, after a long struggle, to learn to know each other well enough to agree. Now, that is all, and I want to say to you that if you want to change that system, for the love of God pass some bill in which you, as a government, state the number and, as a government, set the standard.

Mr. GOULDER. Mr. Furuseth, to complete my question, my information is—you know better than I—that you do fix the crew, and that they can not run the boats without shipping the number that you fix.

Mr. FURUSETH. May I ask where you get your information?

Mr. GOULDER. Yes; I got it here in the committee room; I got it from you; I heard it from various people.

Mr. FURUSETH. Oh, no.

Mr. GOULDER. But now I want to complete that question, as to how this law works. I am not quarreling with the union's fixing the number of men, or anything of that kind. I am getting at the practical question, the actual result. How is the law hurting? What is there to bother about in connection with the law, if that is the condition? Now, we have no trouble on the Lakes, you know, about numbers of men, or anything of that kind. We deal with the union; we have contracts every year; we are just making a contract now. Last week we were making them.

Mr. HINSHAW. Do those unions fix the number of men on your vessels?

Mr. GOULDER. In a way; yes. It becomes a matter, Mr. Hinshaw, of agreement.

Mr. GOULDEN. Mutual agreement?

Mr. GOULDER. Yes. We are just now having some trouble up there with reference to the question of carrying a third engineer on a package line—a package steamer. The claim is for having a third engineer wherever the tonnage is 3,000 or upward, and that is a matter that will be a subject of discussion at a meeting on Monday; and I have not any doubt they will come to a satisfactory agreement.

Mr. GOULDEN. Are the unions there as powerful as the one on the Pacific coast?

Mr. GOULDER. We think not. Our information is that the union on the Pacific coast is rather more drastic.

Mr. GOULDEN. They are affiliated with it, however; they are all in

one national union. Your branches of the union there are all part and parcel of the same?

Mr. GOULDER. No; they are not the same union; but I suppose they are all affiliated in a way.

Mr. GOULDEN. They are different branches?

Mr. GOULDER. Yes; they are not the same. Our unions relate only to the Lake service in their actual contract with us, although they may be parts of the larger institution.

The ACTING CHAIRMAN. It is the Lake Sailors' Union; that is the distinction.

Mr. GOULDER. Yes; that is true.

The ACTING CHAIRMAN. There is that distinction, though?

Mr. GOULDER. Yes.

Mr. GOULDEN. Are they affiliated with the union, Mr. Furuseth?

Mr. FURUSETH. Why, it is the same union, the national union. If a man goes from the Lakes to the Pacific coast, he simply transfers his card. If he goes from the Pacific coast to the Lakes he transfers his card, and if he goes from the Lakes to the Atlantic coast he transfers his card. If a man is an able seaman anywhere, he is an able seaman all over. It is the same organization, but each branch, according to the conditions and circumstances of the country, tries to get the best wages that it can for the man in the particular district.

Mr. GOULDER. What I say, Mr. Furuseth, is true, is it not—it is localized by separate lodges, and so on?

Mr. FURUSETH. Let me answer your question about setting the standard in this way. I think I can get it down so that you will understand me.

Mr. GOULDER. I would like to, if I can.

Mr. FURUSETH. Whenever there is peace between the shipowners and the seamen the standard is set very largely by the seamen and consented to by the owners, and the standard then is high. Whenever there is trouble the standard is set by the shipowner, and the standard then is extremely low, because he takes anybody that he can get.

Mr. GOULDER. Mr. Furuseth, is not that because of a disagreement, which withdraws from the market the men who customarily do the work, so that they have to take anybody they can get?

Mr. FURUSETH. Well, yes.

Mr. GOULDER. Is not that true?

Mr. FURUSETH. Surely.

Mr. GOULDER. Is that peculiar to the shipping business, or is that true in every business? Is not that the logical result of a thing of that kind?

Mr. FURUSETH. If they set the standard. But in any other business you can get rid of an incompetent man. The moment you see that he can not do his work you can discharge him. But when you have a man out on the sea you have to do the work for him. There is no choice in the matter.

Now, I want to say that it would not make any difference as to the seaman if he were placed the same way as some other man; but when he gets out on the sea we have to do the work, and there are a lot of passengers there that have to be taken care of in case of trouble, and if the man on board the vessel can not do it who is going to do it?

There is nobody else to do it. And I want to say that every nation has found it necessary to make some kind of regulations in these matters, either through ironclad custom or through law, because it is human nature to take the last pound of flesh and sometimes the blood with it, and legislation has to step in.

Mr. GOULDER. Mr. Furuseth, do you take the position that all right and all justice and all virtue is on one side or the other, or is it mixed? Are the sailors and the owners all human, and do they all make mistakes, etc.?

Mr. FURUSETH. Let me explain that to you. I presume you put that question in a kind of a jocular way to me?

Mr. GOULDER. No; I do not. I put it very seriously.

Mr. FURUSETH. Because you know well enough how you would answer it yourself. But I will answer it the best way I know how.

The shipowner does the best he possibly can for his own interest. His interest is to get his expense account as low down as he possibly can. The seaman's interest is to get as high wages as he reasonably can. We are not getting anything too much when we get all we can, I am sure, because none of us get enough to get married. Now, then, in the struggle of interests there, there are different kinds of men on both sides, and the man who is on one side to-day may be on the other side five years from now.

Mr. GOULDER. There is a good deal of human nature in it all the time.

Mr. FURUSETH. Many a man is forward in a ship, and all his troubles come from aft, and being a weak man he necessarily has some little feeling against the men aft. When a man gets aft he carries his same feelings with him. He does not change his nature because he gets aft in a vessel, and if he is bothered or troubled by men in the forward part of the vessel he gets to feel in a different way about the men forward than he did before.

Now, the human nature of all of us is very much alike, I guess. There is not all virtue in the sailor; no, no; I should say not. Not only is there not all virtue in the sailor, but, according to your claim, there is not any. With reference to the shipowner, there is not all virtue in him and not all that is bad. I have simply said that one in ten, perhaps, is the kind of man who will drive things downward and make things worse, and by the power that he has he forces the others down with him.

We then answer by saying, "We will not work for you, Mr. Skinflint, until you change your conditions to make them correspond with those of the better man;" and he says, "Then I will get somebody else," and we say, "Bless you, go and get them." Then he goes and tries to get somebody else, and we go and try to prevent him by persuading those men not to work for him. Now, I think we are exercising our constitutional, our legal rights in the country, when we are doing that, and we are not ashamed of it at all. If I have an opinion I am ashamed of I will sell it and get another one that I can speak out.

Mr. HUMPHREY. Let me ask you a question there. How many competent sailors are there on the Pacific coast outside of your union?

Mr. FURUSETH. That, I do not know. There are a very large number on the Pacific coast, if we go outside.

Mr. HUMPHREY. Outside?

Mr. FURUSETH. That I do not know. There are a very large number than there are inside. I would not hesitate in the slightest to say that there must be, on the Pacific coast, at the very least, 20,000 sailors.

Mr. HUMPHREY. That are not in the union?

Mr. FURUSETH. That are not in the union; men who have left the sea and are now working on shore and getting better pay and better conditions than they had when they were at sea, and whom you could not drag back to sea unless you improve the condition of the men who are at sea.

The CHAIRMAN. Mr. Furuseth, you have had about an hour and a half now.

Mr. FURUSETH. I am very much obliged for it; and I would like—

Mr. HUMPHREY. I think he ought to have all the time he wants, because we have interrupted him. I have done a great deal of it myself.

The ACTING CHAIRMAN. I know you have interrupted him, and if you gentlemen want him to continue, that is all right; I am perfectly willing that he should.

Mr. FURUSETH. I would like to put this paper in, because this, gentlemen, is something I have gotten up about the law on several subjects from 1790 up to the present time, purely for purposes of reference. I would like to put it in so that if anybody reads this they may have a chance to see it. Is there any objection?

(There was no objection, and the matter referred to is as follows:)

Subsidies and Senate bill 27—Seamen's loss and shipowners' gain—Furuseth compares old and new laws.

The seaman has for a very long time been considered as belonging to the vessel on which he sails. This was not always so, especially as compared with other workingmen. The seaman must at some time have been freer than others, because there is a saying in Europe: "The free sailor." If we compare the laws of Wisby or of Oleron there remains no doubt that at that time he was among the freest of workingmen. There was no such thing as any ownership of the seaman by the vessel. He could not leave the vessel in a foreign port. He was bound to the vessel by the common hazard, the common danger to himself and his shipmates if he left—that is, in a strange place or land. But there was no such thing as any penalty for desertion in a home port.

England adopted drastic laws regarding seamen about 1740. It was stated then that those laws would cause the seamen to quit the sea or country if they could. It seems that during the American war of independence they did quit and go over to the colonies in very large numbers. It seems that during the following years they continued to desert from their own vessels and went into those of this country, in spite of the fact that our Congress, on July 20, 1790, adopted a law which treated the seaman as belonging to, in the sense of being owned by, the vessel.

That law provided that any seaman having agreed to serve in a vessel and then absented himself might be arrested on warrant issued by a justice, kept in prison until the master should call for him, and then be delivered up to such master, who could compel him to work against his will. This law became known as section 4598, Revised Statutes, and was repealed on December 21, 1898.

Another section of the law of March 3, 1790, provided that if the seaman had signed on a vessel and had received some money on account, and had worked long enough to find that in his opinion the vessel was unseaworthy and a survey had determined that the vessel was fit to go to sea, then, if the seaman should refuse, he could be sent to prison until he had paid back to the owner such costs as the justice might determine. One section provided that any person who should harbor or secrete any seaman, knowing him to belong to any

vessel, should be subject to a fine, part of which should go to the informer. These two sections became, respectively, section 4558 and section 4601, Revised Statutes, both of which were repealed on December 21, 1898. If the man was found before the vessel went away he could be compelled to fulfill his contract, and this was, I think, the law in other employments in several States at the same period, so that the seaman was not discriminated against. If he succeeded in keeping out of the way until the vessel had departed he was free. The law remained in this form until after the adoption of the thirteenth amendment to the Constitution of the United States, and then it was made more drastic.

When the laws were revised after the adoption of the thirteenth amendment, all the statutes enforcing involuntary servitude were retained, and on June 7, 1872, these slave sections of the law were so extended that the seamen could be taken on board a vessel without the intervention of any judicial authority, and if a mistake was made a slight damage might be recovered by the seaman (sec. 4599, Rev. Stat. repealed December 21, 1898), and three months' imprisonment was provided for anyone who was not found before the vessel departed. The same act had one section (sec. 7), which provided that if several of the crew combined to impede the navigation of the vessel or the progress of the voyage they might be imprisoned not to exceed twelve months. This was subsection 7 of section 4596, Revised Statutes, and was repealed on December 21, 1898. Section 4596 itself was amended so as to abolish all penal punishment for desertion in any port in the United States or in near-by foreign countries; but left one month's imprisonment, at the discretion of the court, for desertion in any foreign port in the foreign trade.

Section 4600, Revised Statutes, makes it the duty of consuls to reclaim deserters, and section 5286, Revised Statutes, provides how a foreign seaman who has deserted in this country may be arrested, held in prison at the option of the representative of the foreign government, and be sent back to the vessel, there to work against his will, or to the country from whose jurisdiction he has endeavored to withdraw himself.

A seaman who refuses to fulfill a contract to labor for a private individual upon a private vessel is by these sections of our law and by treaties with foreign nations put on equality with ordinary criminals and made extraditable. The seaman is, under the law, a slave, compelled to remain with his master. And yet it is expected that an American boy, taught in an American school, will seek a calling so dishonored as that of the seaman, in which to do his life work.

It is true that Congress, on December 21, 1898, repealed some of these laws in the coastwise trade, but the seaman is still the property of the vessel. The only crime he commits against person or property by deserting is to withdraw his body from the authority of the master. It seems to follow that that body is the property of the master.

That the seamen know and appreciate the discrimination which the shipowner insists upon and which the country allows, is apparent from the fact that they have used their hard-earned money to have the law tested by an appeal to the Supreme Court of the United States, in the case of *Rovertson et al. v. Barry Baldwin*. The court held that the seamen were not under the protection of the thirteenth amendment; that, in fact, a citizen by becoming a seaman voluntarily surrendered his right to personal liberty.

The present law may be further illustrated by an incident which took place in a Brooklyn boarding house just after the latter decision and just before the war with Spain. A recruiting officer came into the house and appealed to the men to enlist in the Navy. An old salt, sitting quietly listening, asked this question: "What is the matter with Uncle Sam now? Is he in such hard straits that he must put arms in the hands of his slaves?"

It is said that the country wants seamen for the merchant marine and the Navy. It is said that there is a desire to have the American boy go to sea and that the American man shall remain there. If there be any sincerity in this desire, the very first thing to do is to restore to the seaman his rights as a citizen. No man worthy of the name of American will remain in a calling when to do so stamps him as one satisfied to be a slave.

Lord Chatham once said in the House of Commons, when a bill relating to seamen was under discussion: "Sir, the two honorable and learned gentlemen who spoke in favor of this clause were pleased to show that our seamen are half slaves already, and now they modestly desire that you shall make them wholly so. Will this increase your number of seamen, or will it make those

you have more willing to serve you? Can you expect that any man will make himself a slave if he can avoid it? Can you expect that any man will breed his child to be a slave? Can you expect that seamen will venture their lives or their limbs for a country that has made them slaves? Or can you expect that any seaman will stay in the country if he can by any means make his escape? Sir, if you pass this law you must, in my opinion, do with your seamen as they do with their galley slaves in France—you must chain them to their ships or chain them in couples when they go ashore."

That Chatham was right has been shown by the incidental laws which it became necessary to adopt. Imprisonment and extradition were needed to enforce the law. The American people know that the seaman is a slave.

SHIPOWNERS EVADE RESPONSIBILITY.

The custom of the calling and the interest of the owners of vessels made any laws upon the subject of skill unnecessary in the early part of the last century. The boy went to sea to learn, and the learning period was never less than four years. Any seaman signing shipping articles as an able seaman and who was found insufficient in skill was reduced to such rating as his skill would entitle him to. This is made part of the contract prescribed by Congress, where it says: "And if any person enters himself as qualified for a duty which he proves himself incompetent to perform, his wages shall be reduced in proportion to his incompetency." (P. 88, Navigation Laws.)

Until insurance had so developed that the risk arising from incompetent seamen was borne by the insurer, it was the owner's interest to see that the men were competent, and this he did. But since the risk is now borne by others, he can easily persuade himself that skill is not an indispensable quality in men who go to sea. The owner's immediate interest is in a cheap crew, and the shipmaster will, of course, take his orders from the owner as to the kind of crew to be hired. To get the cheapest possible crew became a matter of serious importance to the owner, and such legislation as was against this was sought to be repealed and later on resisted. The owner found that the law of March 3, 1813, provided that all of the crew and officers must be citizens. In the act of May 31, 1830, he succeeded in having this reduced to the officers and two-thirds of the crew, and in the act of June 28, 1864, he succeeded in having all regulations about the crew, exclusive of the officers, stricken out, so that he would have the whole world to draw from.

Being now unfettered as to citizenship, nationality, or race, and being careless as to skill, he could cut wages or resist effectually any increase, especially with the help of the laws providing imprisonment for desertion and giving the right to reclaim deserters, which had been provided for in all the treaties entered into, either of extradition or of commerce. Even these laws proved insufficient because of the constantly increasing wages on shore and the unwillingness of the American citizen to go into a calling in which he was looked upon and treated as a slave, and in which wages (that is, what these will buy in the market) had been so reduced that he could no longer support a family. The owner then depended upon foreigners exclusively, and ceased to carry boys. He encouraged crimping and did all he could to prevent any effective legislation against it, and in the act of June 26, 1884 (sec. 20), he obtained permission to sign his crews in a foreign port to go back to a foreign port without reshipment in the United States.

Native seamen had by this time become so scarce that the small Navy was filled by foreigners, and a cry was raised against the danger in which this state of things placed the country. The shipowner promptly came forward with a remedy: "Give us a subsidy; you will thus have more ships, and hence more seamen." In most cases where a subsidy is now paid upon condition that a percentage of seamen employed shall be citizens, the owner hires citizen waiters enough to fill up the number outside of the officers, who must be citizens anyway, and thus he gets the money. But the country does not get the seamen.

Citizen seamen are now so scarce that to insist upon a high number of citizens in all vessels would be equivalent to asking that the vessel be laid up. But a standard of efficiency high enough to secure reasonable safety would give to the seaman the reasonable certainty that the men who are to do the work at sea will be able to do it, while it would raise his wages gradually, or help to do so, to a point where he might assume the responsibility of married life. Again, if the owners were compelled to carry a number of boys in proportion to the number of men there would be an opening for the boys and a possibility of creating a body of native and naturalized seamen.

If laws such as are here suggested were adopted for the coasting trade, where the owner has no competition and they all are on the same level, a body of such seamen might be developed without any extra cost to the Treasury. The steady drift from the sea on the part of the population of all civilized countries would compel them to follow, or else turn the sea over to the yellow race.

Measured by any occidental standard, the wages of the seamen have gone below any possibility of reproduction, care when sick, provision for old age, or for any accidental misfortune.

When sick the seaman goes to a marine hospital, kept by the Federal Government out of the general taxes from the general public, like any other pauper hospital. The training of the young in so far as there is any training is by the public, through training vessels. When dead, if he dies on shore, his burial is by the public.

Here we have an industry that has succeeded in putting the training of the young, the care of the sick and injured, and the burial of the dead off its own shoulders and onto those of the general public, while the wages paid to men in the prime of life are such as to make ordinary human life impossible.

Long ago the shipowners ceased to find men from their own people willing to labor for them. They then sought men from other nationalities, but of the same race, and, finally, they are seeking, and for the present obtaining, men from alien races to furnish the labor in an industry which they claim to be of such national importance that to continue this business the nation must assist. But the nation must not enforce such rules as would bring the native back to the sea! That, of course, would be injurious to the business, although the subsidy may, as in some cases it now does, amount to more than the entire wages paid to the whole crew of all the vessels of the entire line.

WHY THE AMERICAN BOY DOESN'T GO TO SEA.

1. He knows, or soon finds out, that a seaman is a slave. (See secs. 4596, 4600, and 5280 of the Revised Statutes, and treaties of extradition and commerce.)

2. He is compelled to live in a place 6 feet long, 6 feet high, and 2 feet wide. This is the legal fore-castle space, except in the sailing vessels built or rebuilt after June 30, 1898. (See act of May 3, 1887.) This space, in which men must sleep, live, eat, and keep their clothing, has been described as "too large for a coffin, but too small for a grave."

3. He is compelled to sign away, in the foreign trade, a certain sum of the wages to be earned in order to get employment. This is known as "allotment to original creditor," and is permitted by section 24 of the act of December 21, 1898; but is made mandatory by the crimps (marine employment agents) and to surrender his right to part payment of wages in ports of call. (See sec. 4530, Rev. Stat., as amended Dec. 21, 1898.) The proviso, "Unless the contrary be expressly stipulated in the contract," is made a condition upon which employment is obtained.

4. He must obey any order from the master or other officer or go to prison, but if crippled for life by injury thereby received he has no remedy, because under late decisions the officers are "fellow-servants."

5. He must, in obtaining employment, compete with the unskilled and destitute, not only in this country, but from all nations and races, because the law as to citizenship was repealed in 1864, and the custom which enforced skill has been destroyed by abolishing the owner's risk and liability, and no law has taken its place. No standard of skill has been adopted.

6. He must do this unskilled man's work at sea, because the work must be done, and there is nobody else to do it.

7. He knows that vessels are generally undermanned, both as to skill and as to number of men employed.

8. He knows, or he soon finds out, that the calling will not, except in rare cases, growing rarer as vessels grow larger, be able to earn sufficient money to marry and keep a family.

9. He knows that he can get employment on shore that is more lucrative and more honorable, or at least is so considered by men on shore.

Those who continue to do so either because they have accidentally got into this employment and have not the energy to get out. They are, in many instances, men who have fought life's battle—have lost and accepted defeat—or they still have hope that the civilized nations will realize their need of seamen and will, for those reasons, change the laws so that sea life shall again be honorable and furnish sufficient income upon which a family may be kept.

LEGAL RELIEF WON BY SHIPOWNER.

Shipowners have been relieved of:

1. Risks, arising from acts of God or dangers of the sea, through the system of insurance; arising from piracy through the present perfect policing of the seas; from those arising from popular local disturbances through damages paid by such localities or states.

2. Liabilities to the shipper, passenger, or seaman through limited liability, as to the shipper or passenger (providing he has a competent master and crew); as to the seaman through decisions making the master and other officers "fellow-servants" of the seaman.

3. Taxes on floating property by a large number of States and others about to follow in this policy.

4. Fees to be paid for the enforcement of navigation laws (see acts of June 19, 1886, and June 10, 1890), by which fees theretofore paid by the owner are now paid from the general treasury. Some small fees only are left.

5. Care and cure of sick seamen, which has been assumed by the United States, through the Marine-Hospital Service, the expenses of which were placed against the general Treasury by the last Congress, and from the burial of dead seamen, who are handed over to the coroner and then buried by the community.

6. The duty to carry a certain number of citizens in the crews of vessels. (See act June 28, 1864.)

7. The duty of training men for the sea service. This is now done by foreigners or at public expense by training ships. Too often they are not trained at all. Although the owner is supposed to provide a competent master and crew, yet there is no legal standard as to the seamen, and this law only comes into operation when some one is damaged and the plaintiff proves that the crew were inefficient, in which case limited liability ceases to operate.

8. If the subsidy bill passes, the tonnage taxes which he now pays will be returned, with more added as a payment for running his vessel.

9. If Senate bill 27 passes as it now reads, his responsibility as to the crew will cease, he being covered by having obeyed the rules as to number of men prescribed by the local inspectors.

In addition to these exemptions, passed and proposed, the American owner may carry such number of men as he shall please, there being no regulations at present under which he may be compelled to carry any given number. Of course if Senate bill 27 passes there will be such a regulation in vessels which carry passengers for hire, but he may carry any amount of cargo that he shall think safe on deck. He may load his vessel as deeply as he shall think proper. There are no regulations on these subjects.

He may hire, and in a foreign port in the foreign trade, by the assistance of the police, keep the cheapest men that can be found in any part of the world.

Under admiralty law, as it came to this country, the owner was liable to the full extent of his property for any loss or damage caused to the shipper or passenger through his own carelessness or the carelessness or lack of skill of master or crew. He was further liable to the seamen employed for injuries caused by defective gear or for injuries received through any lack of skill on the part of the master or other officer.

Section 4283, Revised Statutes (act of March 3, 1851), relieved him of part of his liability by enacting that where the loss or damage were caused by neglect of master or crew, the owner should not be liable beyond his interest in the vessel and freight pending. In construing this law the courts have held that it was the duty of the owner to provide a competent master and crew. (Matter of Right, 10 Ben., U. S., 14.)

Section 18, act of June 26, 1884, extends this to all debts and liabilities, except in case of those employed by the vessel. That act reads: "The individual liability of a shipowner shall be limited to the proportion of any or all debts and liabilities that his individual share of the vessel bears to the whole; and the aggregate liabilities of all the owners of a vessel on account of the same shall not exceed the value of such vessel and freight pending."

The owner was still in duty bound to furnish a competent master and crew. In the case of the Pacific Mail Steamship Company (130 Fed. Rep., 76) the court of appeals held, and the Supreme Court of the United States later on concurred, as follows:

"It is the duty of the owner of the vessel to provide a crew, not merely competent for the ordinary duties of an uneventful voyage, but for any emergency that is likely to happen and which calls for instant action to save lives

of passengers and crew. A ship is not sufficiently manned when the sailors can only receive orders through the boatswain."

If Senate bill 27 passes, as reported, the responsibility of the owner for an inefficient crew will pass away. The owners liability for injuries sustained by the seamen are now assumed by accident insurance companies for a practically nominal premium, and the courts have lately held that the master is a "fellow-servant" of the seaman, so that the recovery of any damages has become practically impossible.

Mr. FURUSETH. Here is another extract from a report by the committee, an extract from this book here. This is the report of a board who sat in England in 1894 and reported in 1896 to inquire into the manning of vessels. The cause, let me say, for the appointment of the commission, was that Englishmen of high social, political, and scientific standing have for years been insisting that the way that England is going with reference to her seamen is the way that America has already gone, and that unless there are serious changes made in the English law they will get into a condition where it will be impossible for them to man their navy. For that reason these commissions have been appointed and recommendations made. Now, out of this I have taken some of the statements that I think are pertinent to this matter, and would like to have them put in the record.

(The paper referred to is as follows:)

Extracts from report of the committee appointed by the board of trade to inquire into the manning of British merchant ships.

Present: The Right Hon. A. J. Mundella, M. P.

The board of trade are pleased to appoint the following gentlemen, viz: Sir E. J. Reed, K. C. B., M. P., chairman; Right Hon. A. B. Forwood, M. P.; Sir Francis H. Evans, K. C. M. G., M. P.; Mr. J. Havelock Wilson, M. P.; Sir Digby Murray, Bart.; Mr. Ingram B. Walker; Mr. F. W. Raikes, Q. C., LL. D.; Mr. Charles Barrie, Mr. G. A. Laws, Mr. Thomas Scrutton, Mr. William Davidson, Mr. James Orr-Sinclair, Mr. J. B. Butcher, and Mr. Thomas Connorty, to be a committee to inquire and report whether any amendment of the existing law is necessary in order to secure, as regards British ships:

- (1) The proper manning of such ships.
- (2) The detention of such ships, if proceeding, or about to proceed, to sea undermanned from ports in the United Kingdom.
- (3) The punishment of persons sending or taking or being parties to sending or taking such ships to sea, if undermanned.

The board of trade are also pleased to appoint Mr. S. Bullock to be the secretary to the said committee.

A. J. MUNDELLA.

Nominated by shipowners:

- 24 shipowners, of whom 9 had been masters and 2 were underwriters.
- 9 overlookers and marine superintendents, all of whom had been masters.
- 11 masters, 1 retired.
- 4 officers.
- 6 engineers, 1 retired.
- 1 seaman.
- 1 ship broker.
- 1 director of bureau veritas.
- 1 secretary Liverpool Shipowners' Association.
- 2 officials of the shipping federation.

60

Nominated by shipmasters', by engineers', and by seamen's and firemen's associations:

- 7 masters, 4 retired.
- 4 officers, 2 with masters' certificates.
- 14 engineers, 1 retired.
- 4 carpenters.

- 2 cooks.
- 23 seamen.
- 23 firemen.
- 6 secretaries, of one shipmasters' association, of four engineers' associations, and of one seamen's association.

83

Independent or volunteered:

- 5 masters.
- 1 boarding master.
- 1 pilot.
- 2 underwriters.
- 2 nautical assessors.
- 1 professor of naval architecture.
- 13 board of trade officials or officers.
- 8 members of committee.

33

The total number of witnesses was 176.

3. We have not received from masters and officers in active service such information and assistance as their experience would have enabled them to afford. It was repeatedly alleged that masters, officers, and engineers, generally, declined to appear before us, lest they should thereby interfere with their employment or injure their professional prospects. We were assured by the members who represented shipowners that there was no reason for apprehension on that ground; but however this may be, the fact remains that comparatively few masters and engineers in active service appeared voluntarily before us. The committee tentatively endeavored to overcome this apparent reluctance to give information, on the part of masters in particular, by taking their statements without divulging their names, but this so diminished the practical value of the evidence that, after the examination of one anonymous master, the experiment was discontinued.

7. On the other hand, the committee have found that in certain classes of ships there is a tendency to reduce the number of men out of proportion to the adoption of improvements in the rig or labor-saving appliances of the vessels, and that many vessels which have been referred to in evidence or reported on by courts of inquiry have not been so manned as to conduce either to the safety or the well-being of the crews. It is, of course, only such steps which would be affected by any measures which the committee may recommend for adoption.

8. It has been represented that the cases of undermanning referred to could be met by measures which might, without further legislation, be devised, in view of paragraphs 2 and 3 of the reference to the committee, by more strictly defining and enforcing the existing law applicable to unseaworthiness in the detention of undermanned ships and by the punishment of persons responsible for sending such ships to sea. It seems evident, however, that the court or authority which would have to determine whether a ship was or was not undermanned would require to have laid down for its guidance some scheme or formula of manning, such as this committee should, from its constitution and experience, be well qualified to frame, if such a scheme or formula be at all practicable. And it seems to us equally evident that such a scheme could not be made binding upon shipowners and enforced by courts and other authorities without further legislative action.

57. This anomalous state of things has long been known to exist, and has been recognized as a part of the manning question. Seamen, as a body, are in favor of compulsory rating as a remedy for these evils and a means of protection from undue foreign competition. They would require every man to show a prescribed term of service before he should be permitted to sign as A. B., or receive an A. B.'s pay. The present law only provides that a seaman shall "not be entitled" to the rating of an A. B. unless he has served four years. Its terms are as follows (see merchant shipping act, 1894):

"126. (1) A seaman shall not be entitled to the rating of A. B.—that is to say, of an able-bodied seaman—unless he has served at sea for four years before the mast, but the employment of fishermen in decked fishing vessels registered under the first part of this act shall only count as sea service up to the period of three years of that employment; and the rating of A. B. shall only be granted

after at least one year's sea service in a trading vessel, in addition to three or more years' sea service on board of decked fishing vessels so registered.

"(2) The service may be proved by certificates of discharge, by a certificate of service from the registrar-general of shipping and seamen (granted by the registrar on payment of a fee not exceeding 6d.), specifying in each case whether the service was rendered in whole or in part in steamship or in sailing ship, or by other satisfactory proof."

58. This law placed in the owners' hands the power to select experienced seamen, but for some reason which has not been satisfactorily explained to the committee, some shipowners have ignored the provision, and have indiscriminately engaged seamen with or without proof of qualification. It is obvious that the law prohibiting seamen without four years' service from claiming the rating of A. B. is valueless, and even unfair to seamen, whilst owners are permitted to employ unqualified men as A. B.'s. If, however, the law were to prescribe the minimum number of persons which a ship should carry, it would be absolutely necessary to go further and prescribe the qualifications which such persons should possess, otherwise a shipowner might man his ship with the minimum number allowed by law without satisfying himself whether the men had any knowledge of the sea.

59. Having come to the conclusion that the State should fix such minimum number, we are of opinion that no man should be employed as A. B. who can not prove his title to that rating. The "able seaman" would thus become a convenient unit of effectiveness in the manning scheme which we propose to recommend. It would consequently be requisite to determine precisely what qualification an A. B. should be required to possess; and as examination is scarcely practicable, the best alternative would be "service."

60. We advise that a candidate for the rating of A. B. should be 19 years of age or over, and have had three years' service at sea as a deck hand.

61. An O. S. should be 17 years of age or over, and have had one year's service at sea.

62. Foreigners shipped in ports of the United Kingdom who are candidates for the rating of A. B. or O. S. should be required to show the appropriate sea service, as specified above, and have an adequate knowledge of the English language.

63. "Boys" should include all persons, other than apprentices, who are either under 17 years of age or of less than one year's service at sea.

64. The work of a trimmer is easily learned, whilst that of a fireman requires some judgment and experience. We therefore recommend that men shipping as fireman should be at least 18 years of age and required to show six months' service as trimmer in a steamer.

65. We recommend that continuous certificates of service should be issued by superintendents of mercantile marine on payment of a fee of 6d.—

(a) On proof by production of a certificate or certificates of discharge that the man had previously served in the same capacity as that for which he is a candidate.

(b) On production of proof of the necessary service.

(c) In the case of a foreigner, on production of proof of service and on showing adequate knowledge of English.

66. We are of opinion that the recognition of such certificates would adequately protect the qualified British seamen from unfair and undesirable competition and would, without unduly interfering with the employment of foreigners or boys, insure the proper manning of ships in so far as the qualifications of the individual members of the crew are concerned. The obligation to carry a certain number of A. B.'s or their equivalents in every ship, and the permission to substitute boys, apprentices, or ordinary seamen for a certain proportion of A. B.'s would, moreover, afford a solution of the vital question as to the supply of British seamen. It would, indeed, be incorrect to say that there is a lack of seamen at the present time, the supply, such as it is, being greater than the demand; but the men offering are sometimes little better than a rabble, and the committee believe that the classification of seamen in the manner suggested is absolutely needed to prevent the employment of tramps and loafers on work for which they are not fitted. Such classification would raise the tone of British seamen, who would feel that there is some advantage to be derived from service and qualification, and would continue in the sea service instead of abandoning it at the first opportunity.

99. After full consideration of the evidence laid before us, and after regarding the subject from all available points of view, we have come to the con-

clusion that no British steamer of or over 700 tons gross measurement ought to be allowed to proceed to sea from a British port with less deck hands than six, in addition to the master, and at least two mates, and of the six deck hands at least four should be A. B.'s. Any of the deck hands may be carpenters or boatswains, but all the six men must be watch-keeping men, so that there must always be three hands on deck in addition to the officer of the watch during the night watches.

100. The provisions which we recommend are fully set forth in the following table in such manner as to exhibit the prescribed deck manning for seagoing cargo steamers of all existing sizes above 200 tons gross:

121. Moreover, we do not see our way to formulating a scheme of manning which would be applicable to the special requirements of passenger vessels beyond the minimum already laid down; nor are we prepared to prescribe crews for steamers under 200 tons gross which make short voyages, generally in daylight and mostly within sight of land, nor for tugs or any other vessels making short passages of a few hours in daylight, where the entire crew are probably on duty throughout the voyage; nor to crews for sailing vessels of less than 200 tons under deck. In such cases we would recommend that the regulation of the number of the crew be intrusted to the board of trade, with the right of appeal on the part of the owner to the court already designated.

123. We would therefore further recommend—

(1) That undermanning should, by legislation, be comprehended in the law authorizing detention for unseaworthiness, and that an instruction be issued to the officers of the board of trade authorizing them to detain vessels which are not manned in compliance with the proposed schemes.

(2) That particulars of all ships detained by the board of trade should be sent to the secretary of Lloyd's.

(3) That undermanning should be specifically declared by statute to be unseaworthiness, but that no ship shall be deemed to be unseaworthy on leaving a port outside of the United Kingdom by reason of undermanning if it be shown that the shipowner or master has taken all reasonable means to comply with the regulations.

(4) That a candidate for the rating of A. B. should be 19 years of age or over and have had three years' service at sea as a deck hand.

(5) That no man should be permitted to be employed as an A. B. who can not prove his title to that rating.

(6) That a candidate for the rating of O. S. should be 17 years of age or over and have had one year's service at sea or be qualified as in (3).

(7) That foreigners who are candidates for the rating of A. B. or O. S. should be required to show the appropriate sea service and to have an adequate knowledge of the English language.

Mr. FURUSETH. With reference to the manning of vessels—that is the matter that I forgot in answering the questions—I find here this statement: Here is the report of the British commission on the amount of men that a vessel should carry, according to her size. It is in a bill before you now. Shipowners say that that is an outrageously high standard; but still they come before this committee and say—

Mr. HUMPHREY. May I interrupt you? Does this matter of the number of seamen that a vessel shall carry have any bearing on this particular bill?

Mr. FURUSETH. Yes; it has, because it is very commonly stated—

Mr. HUMPHREY. Of course I do not want to cut you off if it does.

Mr. FURUSETH (continuing). It is very commonly stated that American vessels carry more men than foreigners. Now, I say that is not so.

Mr. SPIGHT. Increasing the cost of operation?

Mr. FURUSETH. Yes; and that it increases the cost of operation. Now, I say that is not so, and my evidence of it is right here. This is the recommendation of the Commission as to the minimum number of men to be employed, according to the tonnage of the vessel, and the Commission recommends a standard of skill in each man so employed,

and, based upon that individual standard of skill, it says the vessel should have a dozen or such a number of men, according to her tonnage.

This recommendation by the Commission was a compromise against which many of the experts complained as being too low. We put it into a bill some years ago, and put it in before this committee, and it was sent out among the shipowners, and some of them held up their hands in holy horror; they said we were going to make them carry about twice as many men as they carry at the present time, when they already carry too many.

The ACTING CHAIRMAN. Mr. Furuseth, I shall have to—

Mr. FURUSETH. To stop me?

The ACTING CHAIRMAN. Yes. There are some other gentlemen here who want to be heard just for a few minutes, and it is getting late.

Mr. FURUSETH. All right; I am very much obliged to the committee.

The ACTING CHAIRMAN. We are very much obliged to you, too; it is mutual.

(Mr. Furuseth also submitted the following papers:)

WHAT WILL THE SUBSIDY BILL DO TO THE SEAMEN WHEN PASSED?

The bill is based upon the scarcity of seamen available for the Navy, therefore it sets to work to find a way to make them available. It first provides in section 1 that any seamen who are physically capable may join the Naval Reserve, which it establishes, and that they be paid, I think the amendment is \$36 per year, "at the end of each year of service on certificate by an officer, to be designated by the Secretary of the Navy, that the volunteer has satisfactorily complied with the regulations, and on certificate by the Commissioner of Navigation that the volunteer has served satisfactorily for at least six of the preceding twelve months on vessels of the United States in the merchant service or the deep-sea fisheries."

Section 2 gives the shipowner a bonus for running his vessel on condition that he shall comply with certain conditions found in section 3. One of these conditions is that the owner shall employ on such vessel an increasing number of such volunteers. Turn this about and it reads that the seaman must enlist in the volunteers in order to obtain industrial employment with a private employer—conscription. In other words, the seaman must, in order to obtain employment on a private vessel, first agree to be called upon at any time to drill or do anything that the Secretary of the Navy may order, and in addition thereto he must, during the entire military age, be ready to be called upon by the President to serve in the Navy in any war against anybody in any cause for anybody.

He is not to be given a chance to volunteer when war is imminent or because of any patriotism which may stir him either in peace or war. His bit of bread, if he remains a seaman, is made dependent on—first, that he shall volunteer (?) in this way; second, upon the condition that he has served faithfully for at least six months in some merchant vessel. This is a fine bargain between the Government and the owner. The shipowner gets \$5 a ton for running a press gang for the Government, and the Government sees that the volunteer gets none of the promised "tips" unless he has served to the satisfaction of the press gang. The owner will, of course, be the party to give the certificate of good conduct, which the Commissioner of Navigation is to issue. This is the sum total of what the Commission was able to evolve by the good offices of the men who have driven the American from the sea and have robbed the nation of its sea legs. The seaman asked for freedom and this is what is offered. Will this bring the American to sea?

Suppose some shipowner who is all business should insist upon reducing the wages of these men by so much as the Government shall pay; and who will say that this may not be done? The pay for the volunteer depends upon the certificate of good conduct given him by the owner. What chance would there be for the man who should insist upon fair wages—who would temporarily, say, for two months in the year, refuse to ship except at certain wages, and then come to the owner to get the certificate for the six months in which he actually served? It would be untrue to

say that he had served satisfactorily, although he had served the six months required. The Government is thus made to assist the owner to keep wages down.

The certificate can be used to very good effect in another way. It will necessarily be a kind of industrial passport, which the seaman must carry at all times and on which the employer may mark his V. G. (very good) or his N. G. (no good), according as his digestion may have affected his temper. Could a more perfect system of blacklisting be invented?

In Germany, where the seaman carries a book which shows where and in what capacity he has served, any statement as to moral conduct or industrial ability is by law excluded from the book. It is known that men will at times be influenced by their personal likes or dislikes and that in such cases they will do injustice even when they do not intend to.

Seamen asked the Commission that it recommend the abolition of the yet existing imprisonment for violation of a civil contract to labor and the right to pursue and reclaim in a foreign port any seaman who has succeeded in escaping from his master and, having obtained possession of his body, to compel him to labor against his will. This bill gives the owner or master the means to make his right more effective. The seamen asked for a standard of individual efficiency and a manning scale to protect him to some extent against overwork. The Commission provides a standard so low as to be a positive injury if the security to life and property be considered and then gives a method by which he who complains may be effectively blacklisted.

The seamen have never asked for any subsidy, subvention, or bonus from the Government; they do not want any, and they protest against being used as a key to open the Treasury or as a pack mule to carry away the plunder. They never failed to volunteer; why establish a press gang?

RESOLUTION.

Whereas there is now pending in the Senate of the United States Congress a bill designated S. 529, the purposes of which are: "To promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage;" and

Whereas said bill (S. 529) would, if enacted into law, affect the interests of American seamen to their serious injury by virtue of the provisions contained in sections 1, 6, and 7 of said bill (S. 529), inasmuch as these sections, while purporting to create a force of naval volunteers upon a basis of voluntary enrollment on the part of the seamen, would, in practice, make such enrollment compulsory, thus creating a system of conscription, since in order to secure employment on vessels deriving benefit under the terms of the said bill (S. 529) the seamen would be compelled to voluntarily (?) enroll themselves in the naval volunteers; and

Whereas the general features of the said bill (S. 529) affords no assurance of accomplishing the objects sought—namely, improvement in the materiel and personnel of the American merchant marine—but on the contrary are destined to impose upon the public additional burdens for the exclusive benefit of certain classes: Therefore be it

Resolved by the Sailors' Union of the Pacific, That we are opposed to the passage of the said bill (S. 529); further

Resolved, That we hereby urge upon the Congress of the United States the enactment of such legislative measures, now pending in that body, as are calculated to remedy the defects in the navigation laws, particularly such as bear upon the personnel of the American merchant marine, to the end that the objects sought by Senate bill 529 may be achieved by legitimate and direct means which shall appeal to and meet with the approval of the American people, reviving in them a personal interest and pride in maritime affairs, without which the profession of the sea and all that appertains thereto must continue in the present state of public indifference and contempt; further

Resolved, That copies of these resolutions be forwarded to the proper quarters, with an urgent request for consideration thereof

Adopted by the Sailors' Union of the Pacific, February 5, 1906.

E. ELLISON, *Secretary.*

The ACTING CHAIRMAN. Gentlemen of the committee, a very eminent gentleman from Buffalo, N. Y., is here; an attorney, I understand, in that city. He would like to be heard for a moment, or such time as he wishes.

STATEMENT OF AINSLEY WILCOX, ESQ., OF BUFFALO, N. Y.

Mr. GOULDEN. Will you state your business, Mr. Wilcox?

Mr. WILCOX. I am a lawyer.

Mr. GOULDEN. Whom do you represent?

Mr. WILCOX. Mr. Chairman, I can hardly say that I represent, in any formal or official way, anybody but myself.

Mr. GOULDEN. Well, that is good enough. You look as though you would be able to represent yourself very well.

The ACTING CHAIRMAN. I can say that he represents one of the most eminent attorneys in the city of Buffalo on my own account.

Mr. WILCOX. Thank you very much.

Mr. GOULDEN. I am glad to know that.

Mr. WILCOX. I am in Washington to-day only as a "bird of passage," and knew nothing, in fact, of the hearing on this bill. I met my friend, Mr. Goulder, this morning, and having some little time with him, he told me he was coming up here, and suggested that I might come too and learn something, and possibly say a word.

I told him, and I have no hesitancy in saying to the members of this committee, that in a certain sense my personal antecedents and beliefs are rather those which lead to close scrutiny of any suggestion for a Government subsidy, and in general I am a disbeliever in Government subsidies. I was brought up in the school of economics which questions Government assistance to private enterprises in general, and believes in letting individuals work out their own salvation as a general proposition; and up to this time I do not believe as to any of the bills that have been suggested by way of subsidizing or aiding our merchant marine since I have been old enough to be familiar with current events that there has been one that I personally have looked upon with favor.

I remarked this morning, and I am perfectly prepared to say to the committee, that so far as I am informed of the purpose and scope of the present bill I believe that it is a reasonable and moderate bill, and I think the conditions of our merchant marine on the ocean are such that such a bill is needed and that it should pass; and people like myself, who are given to questioning Government aid of this character, are prepared to-day to acquiesce in the wisdom of the Government's doing something to start our merchant marine on the upward course.

Mr. HIN HAW. Will you permit me to ask wherein this bill is superior to the others?

Mr. WILCOX. I am frank to say, sir, that I am not prepared to answer questions in detail; I am speaking rather upon general lines and general principles. I do not come here as an expert to discuss the details of the bill, but rather to reflect what I believe to be a growing sentiment in this country among men who—I am not a Republican in politics—

Mr. HINSHAW. The reason I ask you is that you said you could not give your adherence to former bills, but could to this.

Mr. WILCOX. My general information is (and I do not want to be cross-examined as to details, because, not having recently read the bill, or even recently read any close description of it, I can not give exact figures) that the subsidies contained in this bill are more moderate in amount, and they are based upon more reasonable distinctions, than

those formerly proposed. If that is not so, sir; if there is a serious doubt about the fact as to that, then my adherence is rather to the principle of a moderate subsidy bill than to the details of this bill itself.

But I do believe that men who, like myself, have not believed in the principle of protection (and I have not, from my earliest manhood up) and have not believed in the principle of government subsidies in general, are of the opinion to-day that the time has come for the passage of a reasonable and moderate and properly constructed bill to support our merchant marine and to put it again in a condition in which it ought to be; to furnish a supply of vessels which this Government can call upon in case of sudden need, in case of war, and to increase our class of able-bodied seamen, so as to furnish men from whom the Government can draw sailors for their war vessels in case of sudden need. I believe that those considerations are obtaining more and more weight in the popular mind. I know it among my friends in Buffalo; I know it among my friends in the chamber of commerce in Buffalo. Our chamber of commerce, which, of course, is vastly interested in local lake navigation, but not to any extent in ocean navigation, has passed a resolution, after careful study by its proper committee (of which I am not a member), indorsing this bill.

Mr. WILSON. Have you given this bill any particular study?

Mr. WILCOX. I have not given the details of the bill any particular study. I am speaking upon general principles entirely, and expressly disavow familiarity with the details of this bill.

We people in New York have shown our vast interest in commerce in a broad sense within the last few years by passing a constitutional amendment looking to the improvement of the Erie Canal at an expenditure of over \$100,000,000 to make that waterway what it ought to be and to bring it up abreast with the times. Many people who do not realize the importance of commerce think that that is a foolish expenditure, but I think that public sentiment in New York, which approved of the constitutional amendment, is more and more in favor of it as time goes on, and it is an evidence of the way we feel about transportation. It is more or less local, and yet it is national in its importance; and we hope that this question of the ocean marine subsidy will be treated by Congress on the same broad basis.

I distinctly repeat, Mr. Chairman, that I do not desire to speak upon the details of this bill, upon the amount of the subsidies, or upon the exact conditions upon which they should be given, but only generally to say that I know that public sentiment in a community like that in which I live and with which I am familiar, without regard to politics at all—the Republicans and Democrats and Independents like myself, all alike—are in favor of a reasonable measure of support for our merchant marine.

I thank you, gentleman.

Mr. FURUSETH. Mr. Chairman, I would like to ask the gentleman one question.

The ACTING CHAIRMAN. He did not come here to be questioned, Mr. Furuseth. He distinctly said that.

Mr. WILCOX. I have no objection to answering the question, if I can.

The ACTING CHAIRMAN. He is just a disinterested gentleman.

Mr. FURUSETH. Would you favor any bill that would make it a condition precedent to employment in the merchant marine that a man should first be compelled to be in the Navy?

Mr. HUMPHREY. Nobody else would.

Mr. WILCOX. Why, Mr. Chairman, I hardly think I am competent to answer that question. I am not an expert on that subject.

The ACTING CHAIRMAN. There is nothing of the kind in this bill.

(The committee thereupon adjourned until to-morrow, Saturday, April 7, 1906, at 10 o'clock a. m.)

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
Saturday Morning, April 7, 1906.

Committee called to order at 10.20 a. m.

Mr. MINOR. Captain McNeil, have you anybody that you would like to have heard?

Captain MCNEIL. We would like to have Mr. Murtha, of Cleveland, Ohio, heard.

**STATEMENT OF THOMAS MURTHA, NATIONAL VICE-PRESIDENT
OF THE BOILER MAKERS AND IRON SHIPBUILDERS, OF CLEVELAND, OHIO.**

Mr. MURTHA. Gentlemen, this is a question of great importance to the young American, especially those that are building up the ship-building industry of this country. I am a boiler maker and a shipbuilder, served my time in Cleveland, Ohio, and have been forced from year to year to leave that vicinity and go to other ports to try and find work because of the lack of work in Cleveland. I have traveled considerably in looking for it, and found great difficulty at times in getting it.

Our men, and our young American men in the West, following up this trade, feel that there has been a great injustice done to them by not having some protection. They are loyal Americans, and they want protection in their trade. They are forced at times to leave their homes and go to seek employment in other places. They don't care what the bill is, how it will come to benefit them, but they want some measure adopted that will keep them constantly employed. All other trades in the country are protected to a certain extent, the machinists, the molders, and in fact every trade all along down the line, but the shipbuilders. Mr. McNeil here referred to the cost of building ships in the old country and the number of men employed there. He did not tell you why the additional cost comes in this country. He told you that the men in the old country had to build up their work, ream it out. That may be true.

Mr. Chairman and gentlemen, it looks to me as if this was the grand opportunity to give the shipbuilders something to do. We find along the coast, along the Atlantic and Pacific coasts, that there is nothing doing but practically Uncle Sam's work. Take Uncle Sam's work out of the shipyards and it will add an army of men to the unemployed. Where will they go? In the ditches, digging? They have served their time for these places, and they feel that they want recognition in it. The greatest surprise that ever came to me was when I came to New York. I had heard over there on the other side about the big ships that were being built over here, the big, grand ships, and I thought I was going to see something wonderful. I did not find them,

but we can build them if we could only get the opportunity to build them, and that is what we want.

Mr. McNeil told you that up there we build nothing but wooden boxes. Well, I don't call the *Gresham* a wooden box, and we built that up there. We have some of the finest passenger boats, equal to any in New York, in the coastwise trade.

Mr. MINOR. Didn't you build two more sister ships up there? My son was aboard the *Gresham* helping there, and I know she had two sister ships.

Mr. MURTHA. Furthermore, we hold the record in this country in building car ferries. Take those ferries numbered 17, 18, or 19. They can not be beat; I have never seen anything equal to them on the coast.

If there is anything in the bill not satisfactory to the seamen, strike it out; but even if you do, do not throw the bill out entirely, because it looks to us as if it would be a good thing; it will give us more work, more constant employment. Take it in my town. When work starts up and they ask some of the young fellows to come down to work, the folks say, "What is the use of going down there to learn a trade, for you are only down there two or three months and then you will be out of work again. Let them learn some other trade." That leads the foreign laborers to come in, a man that can not speak a word of English; that leads him to take the place of the young American. The man who gets a job there ought to be able to speak English and ought to be a good citizen.

Now, in regard to the Federation of Labor opposing this bill: You heard the names of the executive committee read yesterday, but how many are connected with the Metal Trades Association on that executive committee? Two—a small minority on that committee. The machinists are directly in favor of this bill. If it was to come man to man the molders would be benefited by it; in fact, every trade in the country outside of the printers, and the printers would be benefited to a certain extent if it goes through.

Now, I was on the coast a few years ago, at the time of the Spanish-American war. I saw those boats, and they didn't look to be any better than the boats we have up there. We must have some consideration; we feel as if we have got to get it. Our men throughout the country are hoping that some measure will be passed to protect them.

We have members of this association in every State and Territory in the United States. We go down as far as the Chickasaw Nation, through the Indian Territory, through Tucson, Ariz., out in that country where they never have seen a ship. They are in favor of it, because they think it is a good measure for the shipbuilders. Take it in Buffalo to-day—they have not built a new boat in Buffalo in two years. Take Cleveland—only two small boats for the Welland Canal, and one of them launched to-day. That will practically leave one there. Some six or seven hundred skilled men employed in that town, and the vast majority are out of work at the present time. Chicago is the only city at present enjoying any fruits of this boom on the Lakes. Take Chicago two years ago—what was it? Or take it last summer, for instance. There was the biggest majority of men in the harvest field, because there was no work in the shipyards. They had to leave home and go out there to seek employment.

Mr. MINOR. Let me ask you, if you know, how many men are employed or would be employed if they had an abundance of work in the South Chicago Shipyard; how many could be employed properly?

Mr. MURTHA. In the neighborhood of 2,000 to 2,500 if they had an abundance of work.

Mr. MINOR. What is the capacity of the shipyard in Cleveland?

Mr. MURTHA. They could run in the neighborhood of 3,000.

Mr. MINOR. You have one at Superior, haven't you, and one at Loraine? About how many men in the aggregate could be employed on the Great Lakes if they had an abundance of work on the eastern coast, and employed profitably?

Mr. MURTHA. If all the yards were building on the Lakes, with an abundance of work, there would be in the neighborhood of 18,000 skilled men employed there; that is, from Buffalo to Superior.

Mr. MINOR. But the lack of work on the Atlantic coast, on account of their not having work in the shipyards there, compels the men down there to transfer themselves upon the Lakes—that is, if they had an abundance of work in the shipyards on the Atlantic coast your men could all be employed up there.

Mr. MURTHA. That is the idea.

Mr. GOULDEN. About how many months in the year do you average work?

Mr. MURTHA. This last year about nine months; but previous to that we were working on the average two or three months in a year.

Mr. HINSHAW. What are the wages usually paid?

Mr. MURTHA. Three dollars a day for rivet men and \$2.75 for — and \$3 a day for —.

Mr. HINSHAW. This is unskilled labor hoping to have steady work?

Mr. MURTHA. A boiler man receives \$2 a day; a helper on the inside, \$1.50; a man in charge of a staging gang, \$1.75 a day, and the helpers under him receive \$1.50, and the two reamers, \$1.50. That is the reason why the cost comes so much more with the American than on the foreigner, in my estimation.

Mr. GOULDEN. You stated that they had to hunt work in the harvest field. Don't you think that that was a blessing in disguise—their helping to save the crops. I am a farmer, so I am speaking for the farmer, and I say that we can not get help when we need it.

Mr. MURTHA. I was not raised on a farm and I don't like the idea of getting out and going to work at sunrise and working until dark.

Mr. GOULDEN. That is, you want shorter hours.

Mr. MURTHA. Want shorter hours; yes.

Mr. HINSHAW. What are the hours in the shipbuilding business?

Mr. MURTHA. Piecework, eight hours a day. In Cleveland they work ten hours a day.

Mr. PATTERSON. Still, you want these men, who have to work from sunup to sundown, to pay for your special privileges.

Mr. MURTHA. Don't we pay for special privileges to them?

Mr. PATTERSON. In what respect?

Mr. MURTHA. In every respect. There is no organization but what does pay it.

Mr. PATTERSON. How does the farm laborer get any special privilege from you or anybody else—the man who has to work from sunup to sundown?

Mr. MURTHA. Supposing we are running our shipyards down in

Cleveland and we are getting plenty of work, the farmers in the vicinity around there can come in and sell their products to the grocery store and get a benefit; but if we are not working, he has to sell his stuff to the wholesaler and he can not get so much out of it.

Mr. LITTLEFIELD. The Canadian fellow can not sell his stuff in competition with him. While that is not a subsidy directly, yet indirectly it is.

Mr. PATTERSON. I want to know what special privilege the farmer gets who works from sunup to sundown, from the Government or any one else.

Mr. MURTHA. Supposing we are all out of work in Ohio or Illinois, and we go out in the harvest field. There is an oversupply of men at that time, and they don't get as much money as they would if there was a scarcity of men at that time.

Mr. SPIGHT. Isn't there always a great demand for laborers in the harvest field?

Mr. GOULDEN. There has not been an oversupply of men on the farms in fifty years.

Mr. PATTERSON. They get plenty to eat on the farms, too.

Mr. MURTHA. But we have got to have some money to buy it with.

Mr. PATTERSON. You say you have to go there to make it.

Mr. GOULDEN. And earn it by the sweat of your brow.

Mr. PATTERSON. I want to know from you what special privilege or protection the farmer gets from the Government?

Mr. MURTHA. I guess he is protected in getting his seed—protected in more ways than one.

Mr. PATTERSON. Doesn't he grow his seed?

Mr. LITTLEFIELD. I want to ask you, Mr. Patterson, if there is any protection on farm products—protection for the farmer? Do you want to give the impression to this man that the farmer has no protection?

Mr. PATTERSON. I want to know what the man working on the farm from sunup to sundown gets in the way of protection.

Mr. LITTLEFIELD. Do you mean to say that there is no protection on farm products? Are you trying to convey the impression to the witness that there is no protection for the farm products?

Mr. PATTERSON. I want this witness to tell me what protection the man who works from sunup to sundown gets. He says that he has worked on the farm and he don't want to work there any more.

Mr. LITTLEFIELD. Your question conveys the information that the farmer does not get any protection, when you know he does.

Mr. PATTERSON. I don't know.

Mr. LITTLEFIELD. Then you have not read the Dingley law.

Mr. PATTERSON. How about the cotton schedule?

Mr. LITTLEFIELD. How about the monopoly on cotton? How about corn? How about the schedule for the manufacturer of cotton?

Mr. PATTERSON. The manufacturer of cotton is not the man who gets out and works from sunup to sundown.

Mr. LITTLEFIELD. The farmer gets 25 per cent a bushel on corn; 25 per cent a bushel protection on it, to-day. You do not want to confuse the witness by making a suggestion that the farmer has no protection.

Mr. SPIGHT. It occurs to me that when a member of the committee is examining a witness he should have the right to get an answer from him.

Mr. LITTLEFIELD. Is there any objection to the gentleman stating why he wishes to confuse the witness and convey the impression that the farmer does not get any protection on his products?

Mr. MURTHA. Mr. Chairman and gentlemen, we have had at different times, along the Lakes, to go to Canada to seek employment over there. I have traveled from Cleveland to Bath, Me., to try and get a job, and I tell you it is a long distance to go and hunt work. I have loafed for thirteen months straight around the city of Cleveland because I could not get work at my trade, and had to work in the ditch shoveling. I don't believe that is justice to the American people—that is, the young American people that are growing up; the young fellows with us who are willing and loyal, and will follow the flag at any stage of the game—I don't think it is right for them to go and travel around the country while there is a bill pending that will give them protection. I feel that you gentlemen ought to give it consideration, due consideration. And I say this, that if there is anything in the bill that is objectionable to the seamen strike it out. The American Federation of Labor objects to the bill, and I say strike their objections out, but do not strike the whole bill out altogether and give the shipbuilders the worst of it in doing so.

Mr. MINOR. I take it that you have had some experience in Europe as well as America?

Mr. MURTHA. No, sir; I never had any experience there.

Mr. MINOR. You are pretty well informed as to the conditions on the Clyde in shipbuilding, are you not?

Mr. MURTHA. Yes, sir.

Mr. MINOR. Will you tell the committee what you think about the idea of repealing the present laws and having the ships built in foreign countries, give them an American registry, and let them engage in our trade?

Mr. MURTHA. I think that is the greatest injustice that could be done to American labor in this country. We can build those vessels that are built over here; we have facilities along the coast. I have heard men who have traveled all over the world say that they never found a better shipyard than the one at Newport News. I have heard men say who came from the Clyde that they have seen the biggest ships launched in 14 or 15 feet of water and stick in the mud bank. There are no such conditions in this country. We have deep water for every one of the yards.

Mr. MINOR. What would become of these shipyards if the men were permitted to go abroad and buy ships and bring them in and operate here free?

Mr. MURTHA. It would make foreigners out of Americans. They would have to go to that country, serve an apprenticeship in that country again, and go to work there if they wanted to follow their own trade.

Mr. MINOR. Eventually, what would we do in case we wanted to add to our Navy by building more battle ships?

Mr. MURTHA. I think we would have to purchase them from a foreign country. If we get more shipyards established in this country, it makes a chance for the young men to come in from the farm and to become naval constructors and designers. Out in San Francisco they took young men from the Stanford University to give them an insight into the shipping business in the Union Iron Works, and they found it

of the greatest instruction to them. In France they take young men out of the colleges and let them work two or three months at that business.

Now, gentlemen, in order to show you that we have been a long time in favor of this bill—that is, the boiler makers and iron shipbuilders—I want to say that the convention in Baltimore in 1903 adopted a resolution, and with your permission I will read it. It stands in the constitution of the boiler makers and iron shipbuilders. The following resolution was unanimously adopted as the sentiment of the brotherhood:

Whereas the Brotherhood of Boiler Makers and Iron Shipbuilders of America believe that Government aid is necessary to induce citizens of the United States to build and operate on the ocean merchant vessels to carry our foreign trade in competition with the vessels of foreign nations, which now monopolize said trade to the almost entire exclusion of vessels of our own country; and

Whereas the interest of the whole country, the reenforcement of our Navy, the enlargement of foreign markets for our surplus products, the increased employment of our workmen in the mine, factory, shipyard, and boiler shop, and the training of able seamen, would all be promoted by the restoration of our merchant marine to its former position on the seas of the world: Therefore be it

Resolved, That in our opinion it is the duty of Congress, at the earliest day possible, to enact legislation to secure such restoration by the payment of subsidies to American-built mail carriers and freighters sufficient to enable them to compete successfully with the subsidies and bountiful merchant ships of foreign countries in the carrying of our imports and exports.

That goes to show you that we have been in favor of this bill for years—that we want some action taken.

Mr. HINSHAW. Your organization includes the boiler makers all over the interior of the country as well as on the coast?

Mr. MURTHA. Yes, sir.

Mr. HINSHAW. Locomotive boiler makers and any other?

Mr. MURTHA. All over the country.

Mr. MINOR. Where is your head office?

Mr. MURTHA. Kansas City, Kans.

Mr. HINSHAW. Do you live there?

Mr. MURTHA. I live in Cleveland.

Mr. HINSHAW. Mr. McNeil is at Kansas City, Kans.?

Mr. MURTHA. Yes; Mr. McNeil is ex-president of the organization. George Dunne, of Indianapolis, is the grand president of the organization now.

Mr. LITTLEFIELD. I want to inject some information in the record here on the question of protection to farm products, and as to whether anybody is getting a protection either directly or indirectly from the legislation of the United States Government. We will take tobacco, 153 per cent protection.

Mr. PATTERSON. What is the revenue on that?

Mr. LITTLEFIELD. It is not a question of revenue, for we give you people an absolute monopoly.

Mr. PATTERSON. I would like to have it show in the record, as a matter of information, how much revenue.

Mr. LITTLEFIELD. Well, you can put it in; I haven't got it.

Mr. PATTERSON. I haven't got it.

Mr. LITTLEFIELD. Very well, we will leave that out, and I will simply say that you have a monopoly of that in the trade of the country. Stem tobacco, 105 per cent; leaf tobacco, 93 per cent; all other tobacco, 306 per cent; snuff, 227 per cent; snuff flour, etc., 152 per cent;

cigars, cheroots, 123 per cent; cigarettes and paper cigars, including wrappers, 147 per cent; rice, 133 per cent; mules, 314 per cent; corn, 15 cents a bushel, or 26 per cent. The average agricultural product that the northern farmer is interested in are all probably below 75 per cent. Sugar, 68 and 74 per cent—that is, the various qualities.

Mr. SPIGHT. Anything on raw cotton?

Mr. LITTLEFIELD. No; we have a national monopoly on raw cotton, and we do not need it. The only item in the schedule outside of these I have called attention to of an aggregate above 100 per cent is salt, 114 per cent, and currants, 119 per cent. Substantially everything else is below 70 per cent, and anywhere from 20 to 25 and 50 per cent and up to 75 per cent.

It seems to me that there is more or less of a deficiency of information on that point. When the next witness that comes on, and somebody asks him whether the farmers have any protection or not, I hope you will refer back to this record and find out just what he has.

STATEMENT OF EDWARD HAYDEN, OF BAY CITY, MICH.

Mr. HAYDEN. Mr. Chairman and gentlemen, before I proceed with my argument I would like to make a statement in reference to farmers' protection. I remember in 1896 it was my pleasure to go to Europe, and while in the city of Liverpool I was informed—I could not substantiate it from facts, but I take it it was a fact—that when they state that the farming industry of America is not protected I say it is not true, because you remember those were Democratic times. I was informed in Liverpool that grain was shipped from the city of Chicago into Liverpool, ground into flour, and shipped back into New York. It was not manufactured here. But as soon as the protective tariff was created it was impossible to put that flour back into the American markets. So therefore I believe, and we all believe, that the American farmer is protected.

Mr. GOULDEN. You have no figures in substantiation of that statement, have you; you have simply heard it? The statement would not be admitted in any court?

Mr. HAYDEN. Not in the court; no. I did not say that it was from my own personal knowledge, but I believe it in toto, nevertheless.

Mr. LITTLEFIELD. Probably fully as reliable as the advertisement that is photographed and exhibited on the floor of the House.

Mr. GOULDEN. I can vouch for that being correct; I can swear to that.

Mr. SPIGHT. When was it you got this information about this shipping of grain?

Mr. HAYDEN. In 1896; September.

Mr. GOULDEN. I may just say, Mr. Chairman, that I will have evidence from New York City within two or three days about what this gentleman believes to be a fact, and I will give it to this committee.

Mr. LITTLEFIELD. Will you get positive evidence on this too; will you be kind enough to get the export bills for those watches—original invoices on those watches—and will you be kind enough to furnish them to me as a matter of personal accommodation, the evidence tending to show the identity of the actual watches?

Mr. GOULDEN. Anything that will tend to enlighten the gentleman from Maine.

Mr. HINSHAW. You say that the farm products were shipped out of this country to Liverpool, and there manufactured into flour or meal and shipped back again to New York and sold cheaper than they could be sold when manufactured in this country.

Mr. HAYDEN. I was so informed in the city of Liverpool.

Mr. HINSHAW. Which implies that the labor over there is cheaper than it is here.

Mr. HAYDEN. There is no question about that. There is no question but that the cost of labor in America is far higher than any country in the world.

I come before you, gentlemen, to-day as a common laborer. In other words, I am a laborer, as the condition of my hands will imply [holding up his hands]. When I came to this conference I laid down my hammer so that I could speak to you as to the condition of the shipbuilding industry of America. If I should recite to you my experience in shipbuilding in this country, I believe I would have to be put on oath in order to substantiate it. But let me go back to the year 1894. I was at that time in the city of Newport News, Va., and the only work that we could get on the seaboard was when the *New York* came under American registry by special act of Congress and was placed in the Newport News drydock for repairs. And if all the men who came there to work on that ship had been put upon her she could not have floated them. Just think of it, the number of men that traveled from every corner of the United States to get a few days' employment.

Mr. GOULDEN. How many men were at work?

Mr. HAYDEN. Something like 3,000.

Mr. GOULDEN. Do you know the cost of the repairs?

Mr. HAYDEN. No, sir; I think I got \$60 for my work.

Mr. GOULDEN. You had employment for quite a little time?

Mr. HAYDEN. Three weeks, I think; but I could not exactly state the time, because it was so long back. After that was completed I journeyed up the Atlantic seaboard to Baltimore, but nothing doing; from there to Wilmington, Del., and Mr. Scofield at that time, I believe, was superintendent of that plant. I was acquainted with him; I call him by his first name and he addresses me as such. I told him that I supposed there was work there, and he said not very much, but that he could give me employment if I wanted it. I told him that that was what I was looking for; that I was totally on the bum, and asked him what there was in it. He said, "The wages are not high; \$1.06 a day for ten hours' work."

Mr. MINOR. Were you then a skilled mechanic?

Mr. HAYDEN. Yes, sir. To-day we don't work for less than three times that amount.

Mr. LITTLEFIELD. How long ago was that.

Mr. HAYDEN. In 1894.

Mr. GOULDEN. What was your trade at that time?

Mr. HAYDEN. Shipbuilder.

Mr. GOULDEN. What part?

Mr. HAYDEN. Riveting.

Mr. LITTLEFIELD. That is what you are engaged in now?

Mr. HAYDEN. Yes, sir.

Mr. LITTLEFIELD. You are a riveter?

Mr. HAYDEN. Yes, sir.

Mr. LITTLEFIELD. Do you use compressed air in riveting now?

Mr. HAYDEN. Yes. Well, I followed it up to the Cramps Shipbuilding Company, and I worked there a week. From there I went to Newport News. That was about the time they constructed three small gunboats for the Navy, and if it had not been for those three small contracts that had been given them by the Government, I don't know what would have become of us. I suppose the Lord would have taken care of us as He always has. From there it was my purpose to leave the eastern country and go from there West. I supposed, as the old saying goes, that the West was the place for the young man, so I journeyed to the West and located in West Bay City, and from the time I located in West Bay City up to the present time it has almost been impossible for me to receive constant employment. From December, 1904, to December, 1905, the wheels of our plant never made one turn. It compelled the men in our city to leave their homes and their families and become wanderers over this country. They have traveled everywhere seeking employment.

Now comparing the conditions of the American mechanic with the English mechanic—and I may say here, gentlemen, that I am an Englishman, born and raised in England, and came to this country something like fourteen or fifteen years ago. I did not have much wealth. I think I had 40 cents when I landed in New York City. I managed to get past the inspector and got through. If you will compare the conditions of our people, what I term our people, I mean the shipbuilders as a whole, with the shipbuilders across the pond, as to the condition of labor, there is no comparison. The American wants three square meals a day; he wants beef steak at each meal, and he gets it. The Englishman, and in all the countries of Europe, if they get beef steak once a week they are doing well, and they are satisfied.

Mr. LITTLEFIELD. If they chew it well it will last them longer.

Mr. HAYDEN. Now, we are interested in this matter of a subsidy, and I believe we are all interested as a whole, the common people, such as we are. We have not been able to get a subsidy measure, but Congress has subsidized various matters in the past. They have familiarized themselves with it so that they can use good judgment. There are but a small percentage of the people of this country who know that the newspapers of this country are subsidized by the Government by having their mail carried for 1 cent a pound when it costs almost 6 cents to transport it. Is it possible that our American people, as a whole, know that \$5,000,000 was voted, appropriated, by Congress to the St. Louis Exposition for a private enterprise, and if it had not been a paying proposition those who had furthered the enterprise would have put the profits in their jeans, but if it had been a loss they would have come back to Congress and asked them to make it up by a deficiency.

Mr. LITTLEFIELD. You might say that there is a proposition now pending for a million and a half for another enterprise.

Mr. HAYDEN. Do we need to subsidize a hundred and one different matters in which the laborer is directly concerned? What is six or seven or eight or ten millions of dollars to this nation that is going to lift one industry out of the common rut and put it on a solid foundation. Why, gentlemen, I believe in all honor and honesty that my fellow craftsmen are as much respected as any craftsmen in this country. We are able on an average to do a good, honest, fair day's work for a fair day's wage, and it is an injustice to ask us to go out into the cornfield or into the ditch and work for \$1 or \$1.50 a day.

Mr. MINOR. That is one of the blessings in disguise that my friend, Mr. Goulden, referred to.

Mr. HAYDEN. If you have a family it is the hardest thing in the world to get down to work at \$1.50 a day.

Mr. HINSHAW. What did you do during the year 1894 that you referred to?

Mr. HAYDEN. You took that right out of my mouth. I was going to say that we have a brick plant which is called the Bitulithic Company. The man who runs that is quite a friend of mine, and he told me that if I would come out to his plant he would see that I got something to do. I went out there, and the first thing I got was a pick and a shovel. He says: "There is the place, go down and dig there"—he said, "Go down to hell." But I didn't, I only went down about 10 feet. I had great big blisters on my hands, and I don't know how I stood it. I stayed there four days, and then I approached the superintendent, and I said, "How much do I get for my good honest labor?" He says, "You are working ten hours a day, are you?" And I says, "Yes, sir." Then he says, "You are getting \$1.50 a day." I says to him, says I, "What does this other fellow digging alongside me get?" And he says, "\$2 a day; he works eight hours." So I says "Give me my money, I am gone." I did that for four days.

I am pretty well known in the State that I come from. I have done office work. I worked in the city offices for several weeks. I worked for the board of education for several weeks. After the census had been taken in the city there was some discrepancy, and the board sent for me and asked me if I would go over the census again and make a canvass. I did so, and I found probably two or three hundred names that had been left out. A part of the time I have been in politics. Of course, that was easy money.

Mr. HINSHAW. What wages did you get during that year?

Mr. HAYDEN. I might say that when I came to find out my debts at the end of the year, I think I owed pretty near \$400.

Mr. MAYNARD. I was not here during the beginning of your testimony, and I would like to ask where you are working now.

Mr. HAYDEN. Bay City.

Mr. MAYNARD. If you had remained at Newport News you would not have had to go into the brickyard for work. Hasn't there been plenty of work there since that time?

Mr. HAYDEN. Oh, yes.

Mr. MAYNARD. Then you had to do as you say because you left a place where there was work and where there has been work continuously since that time, and went to some other place.

Mr. HAYDEN. At Newport News at that time the rate per day for shipbuilders, for our craft was 12 cents per hour, ten hours per day. A friend of mine in Bay City wrote me a letter and said: "If you come to Bay City it is good for \$18 to \$25 a week." Surely you would not throw any discredit on a person for accepting something better.

Mr. MAYNARD. I would not. You stated that you went there and there was work where you left.

Mr. HAYDEN. I said there wasn't work. I said they were working on the three gunboats for the Government at that time.

Mr. MAYNARD. But there was work at Newport News continuously.

Mr. HAYDEN. That was about the only place where there was any.

Mr. MAYNARD. You were there.

Mr. HAYDEN. At that time?

Mr. MAYNARD. And then went West.

Mr. HAYDEN. Surely. But following along the coast again I will say that in 1899 it was my pleasure to return East again, and I located at Staten Island for awhile. There came a little depression there and I went over to New York, and I found that during the late war, the Spanish-American war, the Government had bought some wonderful craft at a low figure and that they had one boat at the Erie Basin dry dock which I have been informed through one of the representatives that they had been given a contract of \$600,000 to put in shape for Uncle Sam, which was almost sufficient to make one. Is it not true, gentlemen, that when we require transports for the transportation of troops, supplies, and ammunition that we bought craft that was a discredit to us? And did it not cast a reflection on the Stars and Stripes after we bought it? We spent sufficient to have built a good-sized reserve.

Mr. LITTLEFIELD. Paid two or three prices when we bought it, even for good vessels.

Mr. HAYDEN. Yes. In regard to the labor of America, some years ago a craft of English register was disabled in Boston, and much rather than repair that boat, much rather than to put it in condition and spend a few dollars to benefit the American laborer, there were tons upon tons of cement and thousands of feet of planking used so as to make it a navigable ship to cross the water and have it repaired on the other side. In the great Hoboken fire, when so many vessels were disabled, how much did we as American shipbuilders get to do on that? It is true that they did not fly under the American flag nor under American register; but we at least ought to have repaired those craft in this country. Take the same conditions across on the other side, and they would not have let them leave those foreign waters for other ports.

Gentlemen, we believe that this subsidy measure is going to be of vital importance to us. We believe that it will renew activity in shipbuilding. We believe that it will make our commerce a commerce in practical form, not on paper. We have a navy, without any question, that stands preeminent; and we believe that a navy is for one purpose, the purpose of protecting your commerce. How many of Uncle Sam's craft passes through the Suez Canal in a year? If we had one last year—we didn't get out of the units. And I would ask how many under English register passed through the Suez Canal, and you will count it in three figures. We are going to spend hundreds of millions of dollars on the Panama Canal, and John Bull is going to get the benefit, not Uncle Sam and not the American people.

I say, gentlemen, that if you don't want to subsidize one thing don't subsidize anything. If you subsidize these gentlemen here, you must subsidize me on equal terms. If you go to work and put money, the taxpayers' money, into a private enterprise with the understanding that it is going to give you commercial supremacy, you have a right to give it to me, for my object is the same. Uncle Sam put millions of dollars into the Union Pacific Railroad as a subsidy, but not a cent does he want to give for the laborer, the shipbuilder. When the Stars and Stripes are unfurled, who does he call to the front; who is it that stands in the rank and file? Who is it that stands the brunt

of the battle? He does not go over the pond to get the people to get the benefit of our conditions of commerce; he goes to my people; and gentlemen, it is your duty, it is our duty at all times, as American citizens, to protect our own interests. We are satisfied that if sufficient subsidy is granted so as to benefit the American shipowner, it will give him renewed confidence in the Stars and Stripes; it will give him renewed confidence in the Government; it will increase his credit, and he can go on continually building, giving contracts to the shipbuilder, getting more money for the construction of that craft, and he can employ American labor.

Gentlemen, we believe that the cost of the construction of ships in America is about 25 per cent higher than it is in England, and we believe that the American shipbuilder gets the largest portion of it. I know that if you can make \$15 a week in England as a ship man you are making good wages, but we don't consider that the highest standard in this country, and we know that there is not one gentleman around this table that wants to see the American laborer put down to the common level of the foreigner. It is your purpose, and I know that you are satisfied in that purpose, that you are going to protect our labor and going to use your best endeavor to give us moral and financial aid.

That is about all I have to offer, but I will answer any questions.

MR. HINSHAW. You say that the difference between the price of construction in this country and England is about 25 per cent?

MR. HAYDEN. Cost of construction, I should think it was; I am not so sure, however.

MR. HINSHAW. I presume that is correct. Is there any other element that enters into the increased cost excepting the cost of labor?

MR. HAYDEN. That question is quite broad, and I could not very well answer it.

MR. HINSHAW. Do you think the principal part is additional cost of labor?

MR. HAYDEN. It is true that our mechanics receive higher wages than the average European mechanics.

MR. HINSHAW. How does his efficiency compare with the efficiency of the foreigner?

MR. HAYDEN. Well, I believe that the foreign mechanic, that is, the English, the Scotch, and the Irish mechanics, as a whole, for some reason, seem to get around it better than we do. It is like a wheel that is constantly turning and is always oiled for the purpose, but we are like the wheel that works about three or four months and is idle nine or ten months. It takes three or four weeks to get into a smooth way of running. Our brain appears to become stagnant, and it requires considerable time to make our brain active again.

MR. HINSHAW. You think, in a general way, that the English, Scotch, and Irish boiler makers and shipbuilders, in general, are more efficient than the Americans.

MR. HAYDEN. He has demonstrated that.

MR. HINSHAW. Is that true in the matter of making other kinds of boilers besides those in the shipping trade?

MR. HAYDEN. Now, gentlemen, I may say that the boiler end of it I can not state.

I have a letter from Mr. Wallace, of the American Ship Building Company. Mr. Wallace's name is an honorable name, he is a large

employer of labor, and is greatly interested in the shipbuilding industry. (Reads:) "Mr. Wallace, of the American Ship Building Company, on the Great Lakes, among other things, also frankly stated that they could not in shipbuilding successfully compete with Great Britain under British conditions and methods of work, a remark that was reechoed by every shipbuilding superintendent that we conversed with. As to whether more work is done in an hour than in England, I unhesitatingly say no."

Now, gentlemen, there is not a man in America, according to my idea, that is better qualified to speak on that particular point than Mr. James Wallace, and if he tells us it is so, he is willing to substantiate it.

I thank you.

STATEMENT OF CAPT. GEORGE F. ELLIS, OF SAN FRANCISCO.

Mr. ELLIS. Mr. Chairman and gentlemen, I have nothing to say upon this particular subject, but I would like to ask if it is in order to speak about this new bill?

Mr. MINOR. I understand that you are going to speak about the bill that it is proposed to offer as an amendment to this bill.

Mr. ELLIS. No, sir; I propose to speak upon the bill introduced by Mr. Kahn, No. 17626. It is practically the same bill as the one you are discussing, with the exception of section 2.

Mr. MINOR. Go ahead.

Mr. ELLIS. Now, I do not represent any association or corporation or labor union or anybody else excepting myself. I am interested in shipping, and I am looking at this matter from a shipowner's standpoint. But I want to see if we can not find some bill that will remedy the evil that now exists. It seems to me that you gentlemen are a long ways from agreeing on the present bill. I would like to speak in favor of the bill introduced by Mr. Kahn and show you the good features of it, and see if we can not get some kind of a compromise so that we can pass some kind of a bill that will give us relief.

I own a ship; she has been running four years and has not paid expenses. We need some kind of relief, and we need it badly.

Now, as you will notice, the bill as introduced by Mr. Kahn is practically the same bill as the one that passed the Senate with the exception of section 2. Section 2 cuts out the provision of \$5 a ton subsidy a year and inserts a different clause.

Now, according to this, a foreign ship can be allowed to bring a cargo from her own country to the United States without paying any tax, but she can not bring a cargo from any other foreign country without being liable to a tax; that is to say, an English ship may bring goods from England without paying any tax, but an English ship can not bring goods from South America here without being subject to a tax.

I would like to explain some of the benefits of this bill to show you how it will operate. For instance, supposing there is a foreign line of steamers running between Rio de Janeiro and New York. If this bill goes into operation they will have to advance their freights \$2 a ton to make the same amount of profit that they make now. That is, for instance, if at present they get \$8 a ton freight they will have to advance their rates to \$10 a ton. Now, when they are obliged to do that, the American ship can come in and advance her rate one dollar and a half a ton and get all of the business.

Mr. LITTLEFIELD. Under your proposition you say they would have to advance their rates?

Mr. ELLIS. I say advance their rate \$2 a ton, from \$8 to \$10; that is, the American ships that are running there could advance their freight rate up to \$9 and get all of the business. They could run the foreign ships out of business; there is no question about that.

Mr. LITTLEFIELD. Do you mean under the Senate bill or under your proposition?

Mr. ELLIS. Please let me get through, and I will then answer all of the questions you want me to answer.

If the bill that I am speaking about should go into operation, it would absolutely give us the monopoly of our foreign trade outside of England, Germany, and France, who have their own ships. And the foreign ships might use cheap labor, they might reduce their expenses in every possible way, and yet an American ship could go into foreign countries and absolutely take all of their business away from them, and have at least a dollar a ton advantage of them all the way through.

Now we will see how it will result. Suppose, for instance, you pass this bill, and the foreign ship is obliged to advance her freight rate from \$8 to \$10, we will say, from Rio Janeiro to New York. Then the man who is shipping goods in Rio Janeiro to New York would say, "I must get even on that advanced freight rate." Consequently he says, "The only way I can do it is by reducing my buying price," which he does. That throws the payment of the subsidy, under our shipping law, on the foreign producer.

Now, you gentlemen here represent nearly every part of the United States. We will take you all individually. We will say, here is Mr. Humphrey—I am sorry he is not here, but he is one of the committee, and represents Washington. The principal article of export in Washington and Oregon is lumber. They ship lumber to China, Australia, Africa, and all over the world. But at present there are so many foreign ships coming to the Pacific coast after that trade, and they have cut the prices down so low that the American ships can not make a living out of it. Now, if this bill shall become a law those foreign ships would not come to the Pacific coast in the quantities that they come now; consequently the American ships could be enabled to advance their freight rate, and in that way make a living.

Let me show you how. Lumber is always sold at so much a thousand feet, delivered. If I owned a lumber yard in southern California, and I owned a vessel, I could not take my vessel and go to Washington and at one of the sawmills there buy a load of lumber, put it on my vessel, and take it to my yard. They insist upon selling the lumber at so much a thousand, delivered. Consequently, if the lumber dealers in Washington and Oregon are obliged to advance freight rates on lumber, to Australia say, they simply advance the selling price of lumber in Australia. That gives our ships a profitable business, and they get their subsidy in advanced freight rates that they will be allowed to obtain, and which throws the payment of it on the foreign consumer.

Now, what better bill do you want than that, if it is one that will allow our ships to earn their own subsidy and throw the payment largely on the foreigner?

I have shown you how it would please Mr. Humphrey's constituents on the Pacific coast by reason of the advance in freight rates, and I will now turn to you gentlemen from the Middle West. You take

Ohio, Indiana, Illinois, Nebraska, and so forth. You don't want the freight rate raised, and this bill does not raise freight rates for you, because you ship grain, pork, beef, canned goods, and so on; and you ship almost exclusively to England, Germany, and France; and you ship by the ocean liners that come into New York. Now, those ocean liners would have no additional tax to pay; they would have no reason for advancing their freight rates, and they would not advance them; consequently it does not injure you people from the Middle West.

Now as to you gentlemen from the South. It acts the same way in regard to you. You ship cotton, but you ship it to these same countries. Those ships would come here the same as they do now and take your cotton at the rate they do now, but it would advance your interests materially in the shipping line. You are largely interested in shipping there, and you have vessels that go to Mexico, Central America, and the West Indies, and at the present time they are mostly all foreign vessels. But the vessels under this bill would give your people a monopoly of that trade. I think it would benefit you people from the South more in proportion than any other part of the country, and I think that the representatives from the South, who are mostly Democrats, would vote in a body for this bill.

Now the Democrats are just as willing and just as anxious to build up the merchant marine of the United States as the Republicans are, if you will only show them some feasible plan by which they can do it. Up to the present time you have not done that. This bill is a feasible plan, and I think there will be just as many Democrats vote for it as there will be Republicans. The Senate bill is all right in theory, but it will not work well in practice. We people on the Pacific coast have had experience in that line, and we know all about it. In 1901 we were shipping grain to Europe at 40 shillings a ton. The French subsidized ships began coming there, and they underbid on the price of these freight rates, running it down from 40 to 22 and 25 shillings. Then the other foreign ships were not able to compete with them. They all went to Oakland Creek, and Sausalito, and laid up; something like 100,000 tons of shipping being laid up over two years, and some of them lay there to-day.

When they got the freight rates down to 22 to 25 shillings the grain had not gone down in price in Europe; consequently the difference in the freight rate was going into the pockets of the merchants in San Francisco. Then the farmers came in and they said to the merchants, "You are not paying us enough for our grain; unless you pay us more we will charter ships and ship our own grain," which they absolutely did do. Well, the French ships were not satisfied when they got the freight rate cut down to 22 and 25 shillings, and they continued to underbid each other until they ran it down to 15 shillings.

At 15 shillings a ship can not earn more than one-half of her expenses, consequently they were getting a subsidy from their Government, and they were depending upon paying the other half, and perhaps a little over, out of their subsidy. The result was that the French Government paid an immense amount of money to their shipowners as a subsidy, and their shipowners gave away eight-tenths of it to the merchants and farmers of California for over two years. I now understand that they are giving it away to the English coal dealers in England. That is the way the French subsidy works, and if we pass a similar bill it will work the same way in our case.

Mr. WILSON. You mean that as soon as the subsidy is introduced in this country these foreign countries will then begin to cut their rates? And if they did, what would be effect of the subsidy in this country?

Mr. ELLIS. Let me compare the two cases. Supposing the Senate bill was a law, and I will take the illustrations from the Pacific coast because I am more familiar with that. My ship has been running to Antwerp; so suppose we have two ships in Antwerp, a foreign ship and an American ship, waiting for a cargo. We import various things to San Francisco from Antwerp—cement, railroad iron, plate glass, and so forth. Suppose there is a dealer in Antwerp who wants to ship a cargo of cement to San Francisco, and he goes out to look for freight rates. He goes to the foreign ship, and the foreign ship says: "I will take the cargo for \$4 a ton." I am a little ashamed to say, gentlemen, that we have been bringing freight from Antwerp to San Francisco for \$4 a ton on account of the effect of the French ship subsidy law.

Mr. WILSON. You consider that cheap, do you?

Mr. ELLIS. That is very cheap. I suppose Mr. Littlefield's ships get very nearly as much as that in going from Maine to Savannah.

But, supposing the foreign ship says that he will take the cargo for \$4, then the cement man goes to the American ship, and he says: "You get a subsidy of \$5 a ton from the Government, and I have an offer of \$4 a ton, but I would like to do better; what can you do?" Well, the American ship wants that cargo; he wants to get home to San Francisco, his home port; consequently he says: "Well, we will take the cargo for three dollars and a half," and he gets it.

Now, he commences right there to give away 50 cents a ton of the \$5 subsidy to some dealer in Antwerp; and before the end of the year he will have to give away at least 50 per cent of his subsidy to foreign merchants and foreign producers. Now, supposing the bill I refer to was in operation, and the same conditions existed. When the cement dealer goes to the foreign ship to get his prices on the cargo, they could not take that cargo at \$4, because he would have to pay \$2 a ton when he got into San Francisco; consequently he would have to say \$6. Then the American ship could come in and get that cargo at \$5.50, and would clear something like \$7,000 on the cargo. And at the end of the year he would make much more money than he would by obtaining a subsidy of \$5 a ton from his Government.

Now, you gentlemen say that you want us to increase our trade with South America. Let me illustrate a case there to you and show you the difference in the workings of these two bills: We will suppose that the Senate bill was in operation and that I own two steamships. I go to some South American port and I say to the shippers there: "I want to put on a line of steamers, we will say, to go to Valparaiso." When I say that I want to put on a line of steamers I say: "What inducement can you give me to put them on? Well, I am getting a subsidy of \$5 a ton." The merchants of Valparaiso say: "At present we are shipping by the German line, which goes around Cape Horn, and what inducement can you offer us to ship by your line?" The only inducement I can offer them is a slight reduction on the freight rate, which I make. The German company says: "We are not going to be run out of business as easily as that, and we will meet that cut and keep our business." Then I have got to make another cut, and before I can get the business I have got to give away at least 50 per cent of

my \$5 subsidy to the merchants and the producers of Valparaiso. You can not figure it out any other way.

Now, supposing the Kahn bill was in operation, and I go to Valparaiso with my steamers. When I make a slight cut in the freight rate, the German company says, "Well, there is no use of our undercutting him, because he has got a difference of \$2 a ton to his advantage all the way through, and we are not in it." Consequently they could not hold the trade. We can go into any one of those foreign ports and absolutely take the business right away from all foreign ships, and they haven't a leg to stand on. We can control all of that foreign business if you pass this bill.

Mr. SPIGHT. What effect would your plan have upon the price of foreign goods to the American consumer?

Mr. ELLIS. Well, as I have demonstrated to you, a large part of the payment of this subsidy that our ships would be enabled to obtain by their increased freight rates would be paid by the foreign producer and the foreign consumer. There are cases where we would have to pay it probably ourselves; that is, we will say, in a case like Havana tobacco. Havana tobacco is an article independent in itself; it brings a separate price in this country of its own. If the freight rates on Havana tobacco advance a dollar a ton, the chances are that we would have to pay a dollar a ton more for the tobacco in this country. On a very small proportion we might have to pay the subsidy; but the larger part of it would be thrown on the foreigner.

Now, we can not expect to pass a subsidy bill that is going to enable our ships to become profitable unless it will rub somebody somewhere. I do not know of any plan that you can adopt that will rub as few people the wrong way of the fur as this will. We may hear a big howl from the foreigner when we put on this tax of \$2 a ton below the line of the Panama Canal; but I want you gentlemen to remember that our ships will never be able to get that \$2 a ton if the foreign ship advances his rate \$2 a ton in a foreign port and the American ship charges the same rate. The foreign ship can continue in the business; consequently, the American ship to get the business can only advance about \$1 a ton; and we are never going to get this \$2, but only \$1 of it, and we will get the business.

It seems to me that you gentlemen of Congress have been altogether too liberal with the foreigner and the foreign ship. You have given them pretty near everything we have got. For instance, forty years ago, when I first went to sea, we had the finest merchant marine in the world. We had more merchantmen and more sailors that went around Cape Horn than the rest of the world put together. We had the finest ships and the best manned ships that went to China and the East Indies around Cape of Good Hope. They were manned by American sailors, the best seamen in the world. But you gentlemen in Congress—or, rather, your predecessors in Congress—took off the tonnage tax, which was the only protection that we had. When you did that, you gave our commerce to foreigners and to foreign ships, and you allowed our merchant marine to go to decay, our shipowners to become bankrupt, and obliged our sailors to stay at home and plant potatoes. And to-day what few ships we have got are manned by Norwegians and Swedes and run under the rules of the Sailors' Union.

Mr. LITTLEFIELD. Could you submit the balance of your remarks in writing so as to put it in the record?

Mr. PATTERSON. I would state this, Mr. Chairman: I want to be illuminated, and I think the captain is making a very important and interesting talk; and if he is not able to conclude to-day, as he will be here some time, I would like to have him come back.

Mr. ELLIS. I don't want you gentlemen to look upon me as an antagonist. I want some kind of a ship-subsidy bill passed, but I want the best one that we can get and the one that will build up our merchant marine the fastest. If you will let me get through, if you will give me a chance to finish my argument, I will show you how you can build up your merchant marine; but you will never do it under this bill that you are now considering.

Mr. MINOR. You shall have all the time you want. I like to hear you talk; but in justice to these other men, I wish you would give way at present, and you may take the floor again Monday; and you shall have all the time you want.

STATEMENT OF JAMES F. SIMPSON, OF CHICAGO HEIGHTS, ILL.

Mr. GOULDEN. Please state your business.

Mr. SIMPSON. Boiler maker and iron-ship builder.

Mr. Chairman and gentlemen, after listening to the shipowners, skippers, seamen and boiler makers, and iron-ship builders, I am beginning to think it is a case of dog eat dog with this bill. And if there is any bigger dog around here than the shipbuilder, he will eat it, but he will know that he has had a fight before we get through.

I think the American mechanics, in the metal trades especially, are just beginning to wake up to the importance of this bill, and, so far as I am personally concerned, I am not taking a great deal of interest in the bill at all lately; but I think if all of the members of the American Federation connected with the metal trades could stay down here for a few days, as I have done, and listen to the different gentlemen address this committee, they would certainly be in favor of this bill. In Chicago, where I came from, and the immediate vicinity we have something like twenty lodges of boiler makers and iron-ship builders. We believe, gentlemen, in that part of the country, that if this bill is passed it will be a great benefit to us. It will lift the iron-ship builders up and place them on a level with the other skilled laborers of the country. At the present time we all have some certain place that we call home, but that is about all there is to it. We spend on an average one year out of three away from our families; and a smaller percentage, I believe, of the shipbuilders of this country own their own homes than any other class of skilled laborers.

As regards shipbuilding on the Lakes, and as to how it will be affected if this bill should pass, and make times good on the coast, I will say that we have built ocean vessels on the Lakes. We built four vessels in South Chicago a few years ago, as some of you gentlemen will remember, for the deep-sea trade. They ran between Chicago and Hamburg and Chicago and Liverpool. Those vessels to-day are in the coastwise trade, the West Indian trade. They were satisfactory. If times were good on the coast, times will be good on the Lakes, because if we don't have lake vessels to build, we can build ocean vessels of such dimensions. For instance, we can build vessels 260 feet long and take them out the Welland Canal. If they are longer they can be cut in two and put together in a short time at a small expense.

Mr. WILSON. How do they take them out when they are cut in two?

Mr. SIMPSON. They cut the vessel in two amidships. They have bulkheads there, and they put them together like a smokestack.

Mr. LITTLEFIELD. Is the construction as strong under those circumstances as the originally built hull?

Mr. SIMPSON. Yes, sir; practically no difference. All you have to do is to have your seamen cut the rivets out—cut the rivets off on the bottom of the vessel. The water-tight bulkheads are there and no water can get in, and they are put together again on the other side. Twice in the last few years I have been on the Atlantic coast in search of work. Each time I was employed on Government work—battle ships for the United States Navy, the *New Jersey* and the *Rhode Island*.

At that time practically all the men on the Atlantic coast were working in Quincy for the Fall River Shipping Company, and there was nothing on this coast at that time but Government work, and there has been, practically speaking, but very little of any other kind in the last eight or ten years. We believe, gentlemen, that if this bill goes through the private shipbuilding yards of this country will flourish, and a few of us here, a great many of us, have worked at shipbuilding in Scotland and Ireland, and we know that in that country the private yards flourish. We put it down to protection that they get from the Government. In the first place, the day's work in that country will compare favorably with what a man does in this country. Between the wages in Scotland, England, and Ireland, and in the United States there is no comparison, and every man that has worked in either country can tell you that.

One of my friends here remarked a few moments ago about the yards on the coast. He was correct in what he said when he spoke of Newport News, Cramps, and one or two others, but how many shipyards are there on this coast that are not thoroughly equipped? The ship owners in Great Britain can invest their money in machinery with reasonable certainty that that machinery will be employed twelve months in the year. In this country the private yard owner can not do that, and so he invests in just as little machinery as he can get along with.

Mr. SPIGHT. Have you worked in foreign yards?

Mr. SIMPSON. Yes, sir.

Mr. SPIGHT. Where?

Mr. SIMPSON. I have worked in Liverpool, and Glasgow, Scotland.

Mr. SPIGHT. What is your idea as to the comparative efficiency of American skilled labor and the foreign?

Mr. SIMPSON. Well, now, of course we all know that practice makes perfection. The man that is constantly employed at the business is certainly better than the man that is not. You take a mechanic away from his business for six months and he is like a prize fighter out of training. You take him back there and put him under a ship; his muscles are stiff, his hands are soft, and he has lost his motion of swinging the hammer, and it takes him three months to get broken in again. No man of practical experience, I believe, in almost any line of business—blacksmithing, for instance—but will tell you that when he is away for three months it is hard work to get back in condition again.

Mr. SPIGHT. How long is it since you worked in foreign yards?

Mr. SIMPSON. Fifteen years.

Mr. LITTLEFIELD. What yards?

Mr. SIMPSON. Glasgow and in Liverpool.

Mr. SPIGHT. Are you a native of Ireland?

Mr. SIMPSON. Of Glasgow, Scotland.

Mr. MAYNARD. Have you worked in Newport News?

Mr. SIMPSON. No, sir. I have worked for the Shipowners Dry Dock Company, in Chicago, and a good deal in boiler shops all over the country.

Mr. WILSON. Where are you employed now?

Mr. SIMPSON. My last place, the Hicks Locomotive Boiler Works, in Chicago.

Mr. WILSON. Are you still employed by them?

Mr. SIMPSON. No, sir; not at present.

Mr. LITTLEFIELD. Do you have an organization of your operatives?

Mr. SIMPSON. Yes, sir.

Mr. LITTLEFIELD. What is the title of it?

Mr. SIMPSON. The Boiler Makers and Iron-Ship Builders of America.

Mr. LITTLEFIELD. Are they affiliated with the American Federation of Labor?

Mr. SIMPSON. Yes, sir.

Mr. WILSON. Are you a member of that organization?

Mr. SIMPSON. Yes, sir.

Mr. WILSON. Are you an officer?

Mr. SIMPSON. No, sir; I am not an officer. I have been elected to office, but have refused to serve, because I believe that a man on the floor can get up and express his opinions and get more attention sometimes than an officer will.

Mr. MINOR. Speaking about the wages paid in Europe and the yards in which you have worked, and comparing the wages there with what is paid here in American work, what is the difference?

Mr. SIMPSON. Just about one-half; they pay about double in this country. The average there is \$9 a week.

Mr. MINOR. For skilled mechanics?

Mr. SIMPSON. Yes, sir.

Mr. MINOR. What is it here?

Mr. SIMPSON. The average wage here, I should say, is \$18 per week for skilled mechanics.

Mr. WILSON. Do you represent this lodge, No. 254, of Chicago Heights?

Mr. SIMPSON. I represent it.

Mr. WILSON. Are you their delegate here to this work?

Mr. SIMPSON. I am here to represent all of the lodges in Chicago and vicinity.

Mr. WILSON. Chosen by whom?

Mr. SIMPSON. Chosen by the officers in the city of Chicago. Of course I was sent here in place of a Chicago man, and when I get back I have no doubt, Mr. Wilson, that you will hear from resolutions that will be passed there. I guess they will be mailed to you.

In regard to the machinery part of the business in the equipment of the yard, it stands to reason that a yard owner who does not expect to operate all the year round will not invest in any more machinery than he can get along with. You take a yard of that kind and it is not in a position to compete with the foreigner. One man, for instance, like

our friend Mr. Coffin, will take a subcontract for a certain part of a vessel, and while his men are punching the plates there will be two or three other gangs waiting for him to get through before they can go ahead with the work. In a case of that kind we can not compete as to time with the foreign yard.

I have sailed before the mast in the British tramp steamer, I have lived in the fore-castle. From what I have seen of this country, gentlemen, there is no comparison between the food served out to the British sailor and that served out to the American sailor. Every man knows that if he knows anything about shipping. The sailor from every nationality, as soon as he gets to America, knows that he can get more wages. I remember when five members of a crew left a ship and four month's wages behind them because they should get better food in the American ship. I have worked on those vessels on the Lakes and on the seaboard, and I know, as regards accommodations, that there is also no comparison. The sanitary conditions on board American ships are entirely different. Instead of living in the fore-castle in most of those vessels on the Lakes, they live in practically what you would call rooms, and their accommodations are equal to those of a petty officer on a British ship. The sailor-fireman in the British ship lives in the fore-castle. The petty officer, the boatswain, the carpenter, and others have rooms, and at that their rooms are not as good or as well fixed as regards sanitary conditions as those for the sailors on the Lakes to-day.

I think I have stated all that I have to say on this subject, and I thank you.

STATEMENT OF C. VAN DRUVER, OF CLEVELAND, OHIO.

MR. VAN DRUVER. Mr. Chairman and gentlemen, I think the points are about all covered, as far as I can learn from listening to the arguments here; but being a great believer in the bill through labor's benefit, studying the bill as far as I can remember back, and believing in a merchant-marine bill, and taking a deep consideration of it, I have always brought it up before my fellow-workingmen. When this bill was passed by the Senate I brought it up, and they did not seem to take an interest in it at first until we thoroughly explained the benefits. I have taken the bill under deep consideration, and found where it would not benefit the fellows strongly on the Lakes, but it would indirectly in the course of time.

The working class of men are a very suspicious lot of fellows. They suspicion even themselves in the lodge room at times, and they thought that when this bill came up it was simply a bill for the monopoly; but they have reconsidered that, and they think it is a bill in favor of their own workmen and craftsmen. Therefore we took it under deep discussion, and our local, the Cleveland, Ohio, No. 20, indorsed a strong resolution and sent it to each Representative of the State of Ohio and asked them to indorse the shipping bill. I have a copy of the resolution that was presented to our Representative from Ohio, Hon. Theodore E. Burton; also other Representatives of Ohio.

The following is the resolution:

Whereas there is now pending in the House of Representatives a bill presented by the Merchant Marine Commission, appointed for the purpose of devising a plan for the building up of our shipping in the foreign trade, which bill passed the United

States Senate on February 14, the enactment of which would result in a great and prolonged demand for American-built ships, that would give steady employment with better hours and better pay to the members of the Brotherhood of Boiler Makers and Iron Shipbuilders of America, and to men of all trades connected with the building of ships in the United States: Therefore be it

Resolved, That Cuyahoga Lodge, No. 20, of the Brotherhood of Boiler Makers and Iron-Ship Builders of America, located in Cleveland, Ohio, strongly indorses the Merchant Marine Commission shipping bill and urges the Representatives in Congress to give it their support, to the end that ships may be built in the United States of American materials by American workmen, in order that such ships may secure a fair share of our foreign carrying; and be it further

Resolved, That a copy of this resolution be sent to Representative Theodore E. Burton, of Cleveland, and to the other Representatives in Congress from the State of Ohio, over the seal of the lodge and attested by the secretary.

The question is whether this bill will benefit only the shipowners. They will get the subsidy, and we want them to get it for this reason, that when they get that subsidy and get lots of money and put it in circulation the shipbuilders will get their share of it, and the shipbuilders are pretty good spenders when they get lots of it.

I hope this committee will take deep consideration of this bill for the benefit of the shipbuilders, because the shipbuilder needs a lot of looking into for their welfare at the present time. If there is anything objectionable for the sailors, scratch it out; but as long as you don't scratch out the subsidy to help the American shipbuilders as against the foreign shipbuilders it will be all right.

That is all I have to say.

Adjourned at 12.10 p. m.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,

Monday Morning, April 9, 1906.

Committee called to order at 10.30 a. m.

Mr. MINOR. Captain Ellis will resume his statement to the committee; he was promised the floor this morning the first thing.

STATEMENT OF CAPT. GEORGE F. ELLIS, OF SAN FRANCISCO, CAL.—Continued.

Mr. ELLIS. Mr. Chairman and gentlemen of the committee, I made a few remarks in reference to the Kahn bill here on Saturday, but I see there are some gentlemen present who were not present at that time, and I would like to repeat the remarks, so that those members will be familiar with the subject, if there is no objection, although it may be a little tedious for some of you.

Mr. MINOR. You may proceed on any line you wish.

Mr. ELLIS. I would like to say that I do not represent any association, corporation, labor union, or anybody else excepting myself. I am interested in a ship, and am looking at this question from a shipowner's point of view; but I am not altogether without support, and I would like to say that two or three months ago, when I came to Washington, I outlined the bill I am referring to and took it to Senator Perkins. I explained it to him, and he said: "I can not see any objections to it, but Senator Gallinger is more familiar with this subject than I am, and I wish you would take it to him and see if he can find

any objections." I took it to Senator Gallinger, and he said: "I can not see any objections to it, but why in the world didn't you come here before?"

Mr. BIRDSALL. You are speaking about the Kahn bill?

Mr. ELLIS. The Kahn bill. At that time the present Senate bill was about half way through the Senate. I wished him to take the subject under consideration of amending his bill to conform to my plan, but afterwards he said that he would let his bill go through. I said: "Very well, if your bill gets held up I am going to try and have it amended to conform to my plan." He said: "I guess that will be the best way to do it; your bill provides a revenue for the Government, and should be introduced in the House anyway." So instead of trying to amend his bill before this committee, Mr. Kahn has introduced this as a new bill; then there will be no question about where it originated.

You gentlemen do not seem to be exactly of one opinion in regard to the present ship-subsidy bill now before you, and I am afraid we are not going to get it passed at this session of Congress.

My ship has been running for the last four years and has not paid expenses, so you can see that we need some kind of assistance and we need it badly.

I wish to say a few words in explanation of the bill introduced by Mr. Kahn that you now have before you, which I am in hopes you can agree upon and report.

This bill is practically the same as the one passed by the Senate, with the exception of section 2, which relates to the payment of \$5 a ton to the shipowner by the Government. This is cut out and section 2 in the bill you have before you inserted in its place. This provides that a foreign ship can bring goods to the United States from her own country without paying any tax, but not from another foreign country without paying a tax of \$1 or \$2 a ton on what she brings. For instance, an English ship could bring goods here from England without any tax, but not from South America.

This puts our ships on an equality in the countries which have ships of their own, such as England, Germany, and France, and practically gives us a monopoly of the rest of the world.

Let me illustrate how it would work: Suppose there is a foreign line running between Rio Janeiro and New York, and they are carrying freight, we will say, at \$8 a ton. When this bill goes into operation they would have to raise their rates to \$10 a ton. That gives an American line a chance to cut in there, and charge \$9 or \$9.50 a ton and get all the freight and run the foreign line out of the business in spite of all they could do. If the foreign line wants to cut rates, the American has \$2 the advantage all the way through. Now, let us see who would have to pay the \$1 or \$2 a ton.

Mr. BIRDSALL. You say the consumer would have it to pay; that is, assuming that that amount would be added to the freight, is it?

Mr. ELLIS. Yes, sir.

Mr. BIRDSALL. If there is an increased cost to the consumer it will arise by reason of the increase in the freightage, would it not, up to that point? Is it your idea that the American ship would charge more freight by reason of that?

Mr. ELLIS. Yes, sir.

Mr. BIRDSALL. Up to the point of \$2, or as near that point as they could get the trade; and that would be added to the consumer.

Mr. ELLIS. That is where the American ship would get the trade and get the benefit of the paying business.

Mr. WILSON. Under your idea, the American ship would also be assured of a cargo both going and coming from the various ports.

Mr. ELLIS. I think so; yes, sir.

Mr. HINSHAW. The benefit to the shipowner would be in the increased amount of freight rather than in direct payment.

Mr. ELLIS. The increase he could get from the foreign country to this country.

Mr. BIRDSALL. But the consumer in this country would have to pay the difference if the shipowner would not.

Mr. ELLIS. Now, I don't think so. Let me continue until I get through with my statement, and afterwards we will take that subject up, if you will agree to do so.

Mr. BIRDSALL. All right.

Mr. ELLIS. If it was on some article produced in only one section of the world, like Havana tobacco, for instance. If we have got to have the Havana tobacco, the American consumer might have to pay the additional freight of one-twentieth of a cent a pound; he would have to consume 20 pounds of tobacco to pay 1 cent tax. If it was on any article produced in different parts of the world, no one port, by withholding its shipments, could control our market price; they would have to ship their goods and accept our prices.

Do I make myself plain on this matter? You take it on any article that is only produced in one section of the world, like Havana tobacco. If we have got to have Havana tobacco we probably would be obliged to pay the increased freight rates. If it is on some article that is produced in different sections of the world no one port by withholding their shipment could control our market price; they would have to ship their goods here and take the market price.

Mr. SHERLEY. What makes the market price?

Mr. ELLIS. Supply and demand.

Mr. SHERLEY. Does not the cost of the article and transportation have something to do with the price at which it can be sold?

Mr. ELLIS. Yes, sir.

Mr. SHERLEY. If you increased the cost of bringing it here, do you not increase the price at which it can be sold at a profit?

Mr. ELLIS. Unless you can make the foreigner pay for it.

Mr. SHERLEY. Can the foreigner pay for anything excepting within his margin of profit? Will he ship goods here and sell them at a loss?

Mr. ELLIS. Let me get through and I will take that up.

But the foreign merchant would say, I now have to pay an advanced freight rate, and I must keep even. The only way he can do so is by reducing his buying price, which he does. This gives our ships a profitable business, they get their subsidy in their advanced freight rates, and throws the payment of it largely on the foreign producer.

We can not expect to pass a bill, and raise eight or ten million dollars a year, unless it rubs somebody somewhere. If you pass the present Senate bill you tax ninety-nine men to give the money to the hundredth man because he owns a ship.

I would much rather undertake to convince the man who smokes the tobacco that he gets some benefit than I would to try to convince the ninety-nine that they do.

Now let us see how the Kahn bill will affect the country. You gen-

tlemen represent most all parts of the country. I will take your sections separately. There is Mr. Humphrey, for instance; he represents Washington. The principal article of export on the Pacific coast is lumber, and they ship it all over the world, and his constituents are largely interested in lumber and vessels. Lumber is sold at so much a thousand delivered. If I owned a lumber yard in California and also a vessel I could not take my vessel to Washington and buy a cargo of lumber for my own yard. The mills would not sell it to me, because the delivering of it is a part of their profits and furnishes employment for their vessels.

At present there are so many foreign vessels coming to our coast for cargoes, that they have run the freights on lumber down so low, that an American vessel can not compete with them. If the Kahn bill was a law, those foreign vessels could not come to our coast in such numbers, and the American vessels could force the foreign freight rates up. The result would be, if the lumber dealer was obliged to pay a higher rate on lumber, he would simply advance his selling price of lumber abroad. This would afford a profitable business for our vessels, enable them to earn their own subsidy, and throw the payment of it on the foreign consumer. No one can dispute that.

Give us a bill that will make our ships a profitable investment and the present shipowners will build new ones and outside capital will invest in the business, and there will be no trouble about building up our merchant marine and keeping our shipyards busy.

I have shown you how the Kahn bill will please the people of the Pacific coast by increasing the freight rates. Now, we will take you gentlemen from the Middle West—Ohio, Indiana, Illinois, Nebraska, etc.

Your constituents do not want freight rates increased, and this bill will not increase them for their products. They ship grain, pork, beef, canned goods, etc., and they ship almost exclusively to England, Germany, and France by the ocean liners from New York. This class of ships will have no tax to pay under this bill. They will have no excuse to advance their rates and can not do it. Consequently it pleases you people from the Middle West.

Mr. SHERLEY. Do you think that the Middle West only ships to those countries that now have a merchant marine; because if you do you are proceeding on an entirely wrong assumption.

Mr. ELLIS. Very largely; but my bill does not increase outward freight rates from the Atlantic coast.

Mr. SHERLEY. But do you think that the commerce to the other countries is insignificant?

Mr. ELLIS. Compared with England, Germany, and France.

Mr. SHERLEY. I don't entirely agree with you as to my district.

Mr. ELLIS. If you can pass a bill that won't rub anybody the wrong way anywhere, please write it out.

Mr. SHERLEY. That is not the point; that will not help our people, the false assumption of a tax.

Mr. ELLIS. I claim that it does not interfere with the majority of your shipments; it does not increase freight rates where you ship the majority of your goods.

Mr. HINSHAW. How about freight rates coming in from other countries to the Middle West?

Mr. ELLIS. The foreign ships can come in just the same without paying any tax from their own country.

Mr. SHERLEY. Your idea is that where your bill don't operate there will be no change made.

Mr. ELLIS. You gentlemen form New York and New England. You have no grain to ship, but your constituents are largely interested in shipping. The passage of this bill will make what vessels you now have profitable and encourage you to build new ones, and your ship-yards will all have a plenty of work. Make a business profitable and don't you worry but what there will be plenty of capital to invest in it.

Mr. HINSHAW. That tax of \$2 does not apply to vessels between here and Europe?

Mr. ELLIS. No, sir.

Mr. HINSHAW. Just South America, Central America, and North America.

Mr. SHERLEY. That is what I meant by my question, that where his bill did not reach of course it would not affect conditions.

Mr. ELLIS. The same conditions that apply to the Middle West apply to you gentlemen from the South, in regard to shipping your cotton, etc. Now, all the southern ports have vessels running to Mexico, Central America, and the West Indian Islands. The trade is largely done at present by foreign vessels. The passage of this bill will give your American vessels a complete monopoly of this trade, and you will all be building new vessels to engage in it. This bill will benefit your constituents more in proportion than any other part of the country, and I expect you gentlemen from the South, who are mostly Democrats, to vote for it in a body.

The Democrats are just as willing and just as anxious to build up our merchant marine as the Republicans are, if we only show them some feasible plan to build it on. Up to the present time we have failed to do so, and to undertake to build it up on the bill as passed by the Senate would be like building a light-house on the sands of the sea-shore at low water. I will explain to you why. If we pass the present Senate bill, we pass it against the unanimous disapproval of the Democrats and many Republicans. If such a thing should happen that they should get control of Congress, one of the first things they would do would be to repeal it. If we expect to build up our merchant marine, we must build it on some solid foundation, on something that meets the approval and support of both political parties, and is not liable to be repealed or changed by either party. The Kahn bill is the foundation to build it on, and it will stand.

The present Senate bill has been amended so that the money to pay the subsidy of \$5 a ton must be appropriated every year. Consequently, this issue would have to be fought over again every year. And any year there was no appropriation there would be no subsidy. If the Democrats get control of the House, or if they get a few more Members in the House, they, in connection with the Republicans who are opposed to it, would defeat any appropriation bill for a ship subsidy. Under the present conditions in the shipping business, with absolutely no profit in it, who would invest three or four hundred thousand dollars in building a new steamship, thinking he could make it profitable by getting a subsidy of \$5 a ton when his chances of getting it were built on so slight a foundation as that? And knowing if he did not get it he could not sell his ship for six bits on the dollar.

Would any one of you gentlemen do it? Most decidedly not. If you would not do it how can you expect anybody else to do it? The passage of the present Senate bill would not add one new ship to the merchant marine of the United States, where the Kahn bill would add a hundred. Some of you gentlemen seem to have lost sight of the merchant marine altogether, and now you are simply trying to pass a bill that will allow the present shipowners to get their hands into the United States Treasury. I would like to get my hand into the United States Treasury, very much. But not under the present Senate bill, because I could not get it in deep enough to do me any good—which I will explain further along.

When this subject was first brought up the idea was to get something to increase the merchant marine. Some of you gentlemen seem to have lost sight of the merchant marine altogether.

The CHAIRMAN. Do you own an American ship?

Mr. ELLIS. Yes, sir.

The CHAIRMAN. What is it's name?

Mr. ELLIS. The *Homeward Bound*.

The CHAIRMAN. It was a wreck?

Mr. ELLIS. Yes, sir.

The CHAIRMAN. That is the extent of your merchant marine, is it; that one wrecked ship is the extent of your shipping property?

Mr. ELLIS. Oh, she is not a wrecked ship. She is a ship of 2,000 tons, one of the finest-built and best-rigged ships that comes to San Francisco. She has an American registry, and has been running under it four years.

The CHAIRMAN. That is the only ship you own?

Mr. ELLIS. That is all I want to own.

The CHAIRMAN. That is your contribution to the merchant marine—a wreck that was rehabilitated by the act of this committee.

Mr. ELLIS. My ship was wrecked on the shores of California.

Mr. MINOR. Captain, don't you want to qualify that statement? Was she wrecked on the coast of California?

Mr. ELLIS. She was.

Mr. MINOR. You said so in your affidavit?

Mr. ELLIS. I tell you here she was. She was wrecked on the shores of California. I repaired her, and applied to the Commissioner of Navigation for a register, accompanied by an affidavit made out by the advice of my counsel, that the ship was wrecked in the waters of the United States, but the honorable Commissioner took exception to that affidavit, and he referred it to the United States district attorney for verification—

The CHAIRMAN. He took exception to it on the ground that it was a lie; that the affidavit was false.

Mr. ELLIS. That is what he did.

The CHAIRMAN. It was false.

Mr. ELLIS. No, sir; I will prove to you that it was not false.

The CHAIRMAN. Mr. Littlefield will tell you—

Mr. ELLIS. Mr. Littlefield has got nothing to do with it. He knows as well as I know that I am entitled to what I ask for.

Mr. LITTLEFIELD. Mr. Littlefield knows that the notice of protest filed by the captain of the *Homeward Bound* showed that she was wrecked 1,500 miles from the coast of California.

Mr. ELLIS. I wish you gentlemen would let me explain. The gentleman stated that my affidavit was a lie, and I would like to explain it. He referred that affidavit to the district attorney for his decision, and the United States district attorney made a long report on it, and the substance of it was that in all cases like that case of mine, that had been referred to any United States Attorney-General, they had all been decided that no ship was a wreck on the ocean as long as she could proceed under her own steam or her own sail. When the accident happened to my ship, 2,000 miles offshore, she was stripped of everything excepting the stump of the foremast and the foresail, but she could proceed under the foresail, and she did proceed under it for over two months. She met other ships, but was not obliged to ask for assistance. She could only go with that one sail before the wind.

Finally she brought up on the shore of California, and she could not go any farther before the wind without going on the shore. She could not get off on either tack with one sail, and she was obliged to call for assistance. The district attorney said that legally at no time up to that time was she wrecked, and without any question she was then in the waters of the United States. Now, you gentlemen are all lawyers, and you all know that that is correct. That is what my application for register was founded on, and I swore that my ship was wrecked in the waters of the United States, and I will swear so to day.

Now, Mr. Chairman, with your permission, I will continue the original subject.

Mr. LITTLEFIELD. I think I explained the facts regarding the whole thing to the committee the other day, and it is not necessary to inject them here; but I will get them at any time if the committee want them in.

Mr. ELLIS. Now, let us look at the present Senate bill. If you are going to pass it there is one feature in it you ought to correct at least. I refer to the part where it makes it possible for one American ship to underbid another American ship a thousand dollars on a single cargo. The bill may be all right in theory, but it won't work well in practice. The theory is that the Government will pay the shipowner \$5 a ton a year. That this will make the business profitable and induce other people to build ships; but we people on the Pacific coast know how it worked in practice.

In 1901 we were shipping grain to Europe at 40 shillings a ton freight. The French Government was paying their ships a similar subsidy to the one proposed by the Senate. Let us see how it worked. The French ships came to San Francisco and began cutting under on freight rates, because they had a subsidy to fall back on. They kept this up until they ran freights down from 40 to 22 shillings and 25 shillings. Up to this time ships of other nationalities were competing and getting an occasional charter, but when freights got down to that figure they could not pay their expenses and they all withdrew and went to Sausalito and Oakland Creek and "laid up," and there they laid for over two years, and some of them lay there to-day. In the meantime, grain had not gone down in price in Europe and the San Francisco merchants were putting 15 shillings a ton of the French subsidy in their pockets. Then the California farmers came in and

they said to the merchants, "You are not paying us enough for our grain. Unless you pay us more, we will charter the ships and ship our own grain," which they actually did do.

The French ships had run the freights down to 22 shillings and 25 shillings, and run all other ships out of the business, but they did not stop at that point. They kept underbidding on each other until they run them down to 15 shillings, and some cargoes were taken as low as 12 shillings. Now, at that price, a ship can not pay more than half her expenses, but they were depending on their subsidy to pay the other half, and perhaps a trifle over.

Now, see how this kind of a ship subsidy worked in practice. The French Government taxed its people, and gave the money to their shipowners, and they gave away eight-tenths of it to the merchants and farmers of California for over two years, and the French ships got the ill will and contempt of the shipping industry of the world.

That is the way it worked in the French case and that is the way it would work in our case if we passed a similar kind of a bill. At least one half of our \$5 would go into the pockets of the foreigners.

I may incidentally say that a large portion of the so-called French ships that are obtaining the benefits of the French subsidy really belong to Scotchmen living on the Clyde, running under French companies.

Let me illustrate the difference in the working of the present Senate bill and the Kahn bill. Suppose the Senate bill were in operation, and an English ship and an American ship were lying at Antwerp, waiting for a cargo. We import cement from Antwerp. Suppose some cement dealer there wants to ship a cargo of cement. He goes to the foreign ship for rates. The captain says: "I would take it for \$4 a ton." The dealer goes to the American ship; that captain says: "I want \$4." The dealer says: "I can't give it to you at that price, because this English ship offered to take it for that; and if I must pay \$4, I must give it to him, as he made the first offer; but you get a subsidy, and I will give you \$3.50 a ton." The American wants to come home, and he accepts it. When he does, he begins right there to give 50 cents of his \$5 to the cement dealer in Antwerp, and before the year is out he will have to give away at least one-half of his subsidy, and what he has left won't be enough to do him any good.

Now, suppose the Kahn bill were in operation. That English ship could not take that cargo at \$4, but would have to charge \$6, and the American ship could get it at \$5.50 and make \$7,000 on it, and before the year was out she could make much more than the \$5 a ton subsidy, and the Government would not have to pay it.

This is how it would work in the "tramp" business. Let me show you how it would work in the case of a regular line.

You gentlemen say you want us to build up our trade with South America.

Suppose I own a couple of steamships, and I want to establish a line to some South American port, we will say, Valparaiso. I go there and say to the shippers: "I want to establish a line of steamers between here and San Francisco. What are my chances for getting freight?" They say: "At present we are shipping by the German line that comes around Cape Horn, but what inducements can you offer us?" The only inducement I can offer is a slight reduction in freight rates, which I make. The German company says: "We are

not going to be run out as easy as that; we will meet the cut and keep our business." Then I have got to make another cut, and before I can run the German company out I will have to give at least one-half of my \$5 subsidy to the foreign shipper in Valparaiso.

In the meantime the prices of the goods he ships have not gone down any in San Francisco, because there are but very few ports where the shipment of goods from that particular port would affect our markets. The result would be that some farmer out in Illinois would pay his part of the subsidy and his money go into the pocket of some merchant in Valparaiso, and the farmer would get no benefit. It is a wonder to me the foreigners have not sent a delegation here to advocate the passage of the present Senate bill. They would make more money out of it than anybody else.

Now, supposing the Kahn bill was in operation when I went to Valparaiso and made my first cut. The German company could have seen right away that they "were not in it," because however much they cut rates I had \$2 a ton the best of them all the way through. They would have to get out and resign the business to me. Under this bill we can go to any port in the world where they do not have their own ships and absolutely take our own import trade right away from all foreigners.

Mr. SHERLEY. What would be the effect of your taking the trade away; wouldn't it be increasing the freight rates just to the extent that you charged a tonnage tax?

Mr. ELLIS. It would increase our merchant marine and give us the business.

Mr. SHERLEY. But if you will permit me, wouldn't the effect be to increase the freight rates just the \$1 or the \$2 a ton that you charge, as against the foreign carrier; and who would bear the increased cost?

Mr. ELLIS. My friend, I have tried to explain it to you, and I will try again. If it is on an article produced in only one section of the world we have got to pay it. If it is on Habana tobacco, and the duty is one-twentieth of a cent a pound for the benefit of the ship-owner, that man that smokes 20 pounds of tobacco has got to pay 1 cent contribution. It would be the same in any other thing that is produced in only one section of the world. Now, if articles are produced in different parts of the world, no one port can control our market price; consequently they would be obliged to ship their goods here and accept our market price. If they were obliged to pay an advanced freight rate, the foreign merchant must reduce his buying price in order to get even. That is the only way you can do it.

Mr. SHERLEY. Suppose he can not reduce the buying price, what happens then?

Mr. ELLIS. He will have to do like the merchant marine, go out of business.

Mr. SHERLEY. In other words, the effect of your higher freight rate would be to put out of business certain men who otherwise would be able to bring articles here in competition with other sections; is that your proposition?

Mr. ELLIS. I thought we were looking at something for our own benefit, and not for the benefit of foreign merchants. If he goes out of business, we will send a Yankee down to take his place.

Give us the export, import, and coasting trade of our own country, and the foreign ships can have the rest of the world.

You may hear the complaint that \$2 a ton is too much, but I have shown you our tramp vessels can never get the full \$2. Regular lines might.

Fifty years ago we had the finest merchant marine in the world. Your predecessors in Congress took off the tonnage tax, the only protection we had, and when they did it they gave our commerce to the foreigners. We have tried it for forty years and it has proved to be a mistake. Let us put it on again and we will soon have our merchant marine again.

We are building a Panama Canal, and you have already agreed not to charge foreign ships any more tolls than American ships. We don't do one-eighth of our own importing trade. We have got no ships to go through it. Consequently we are building the Panama Canal for the foreigners. The other day they came here and asked you to pass a bill to allow them to carry our mails. That is about all we have left—I guess you better give them that, too. But before you get through “giving,” for God's sake give us something. Give us the Kahn bill. Something that will allow us to be independent, self-supporting, and enable us to earn our own subsidy, and not make us pensioners on the bounty of our Government.

We may be bankrupt, but we are not paupers.

That is all I have to say in favor of the Kahn bill. Now, gentlemen, please do not look upon me as being an “antagonist.” I want to have the best bill passed. If it is the Senate bill, let us pass that; if it is the Kahn bill, let us pass that; but let us pass something.

Now, I would like to do differently from what most people do when they speak in favor of a proposition I would like to discuss the bad features of the bill, if it has any.

I am not a lawyer, and most of you gentlemen are. If I have got myself into “deep water” and any of you gentlemen feel interested in this bill, try and pull me out, and when you pull me out pull the bill out too. There are several objections I have heard in regard to it. The least important one is retaliation. Supposing all other countries pass the same kind of a bill. It will not affect us in the least. For instance, our ships could take our goods to England without paying any tax, but they could not take goods from South America to England. They do not do that, and do not want to do it. So retaliation cuts no figure. If foreign countries go further than we have done and put an additional tax on our ships, then we are the ones to “retaliate.”

Another possible objection I have heard is, at the first glance it looks like a “duty tax,” and it is a bad time to stir up anything in the duty line. But if you will examine the bill you can readily see there is absolutely nothing in it resembling a duty tax.

Whoever heard of a country passing a duty tax on merchandise and making the ship pay it? The merchandise is responsible for a duty. When we used to have a tonnage tax nobody ever dreamed of calling it a duty. This is distinctly a discriminating tonnage tax, and the reference made to the goods is only in order to know how much tonnage tax to tax the ship. If she comes without any freight she pays no tax. If she has 100 tons of freight she pays a tax on 100 tons. With a common tonnage tax she pays it every time she enters the port whether she has any freight or not. There is nothing in this bill resembling a duty tax.

The next objection is, Does it break any of our existing treaties? There are three answers to that. First, the Merchant Marine Commission had two plans suggested to them as a remedy for existing conditions—the one, reported by the majority, of \$5 a ton subsidy; the other, reported by the minority, of a discriminating duty. I never heard anybody say it could not be passed. If a discriminating duty bill could be passed, a discriminating tonnage tax bill could equally as well.

Second. We have a treaty with different countries in which we agree not to impose any tax on foreign vessels we do not impose on our own. They agree to do the same in regard to our vessels; but England has enacted a law providing that if English ships carry an English apprentice boy, designed to become a sailor, in order that the Government may have an increased number of sailors to call upon if needed, such ships get a rebate on their tonnage taxes.

If England can give her ships a rebate on tonnage taxes by carrying a boy, for the benefit of the government, without breaking the treaties, surely we can do the same thing. According to this bill, our vessels not only carry the boy, but naval reserve men also, and agree to carry mail, if called upon, free, and to give the Government the use of the vessels in time of war if wanted. They do very much more for their Government than the English vessels do and are entitled to a larger rebate.

Third. Treaties say we must not impose any tax on foreign vessels we do not impose upon our own. There is nothing in this bill a foreign ship can not comply with if she wants to. She may not want to, and probably would not, but we impose the same requirements on our own vessels, because, if they do not comply with this act, they must pay the tax the same as a foreign ship, and many of our coasting vessels may not comply with it. I think the second answer covers the point, and we need no other.

I thank you, gentlemen, for your kind attention and hope you will decide to report this bill favorably and as soon as possible, so we can get some relief from this session of Congress.

The CHAIRMAN. Mr. Ellis, it is probably due you that I should say to you that my remarks about your affidavit grew out of the fact that Mr. Littlefield the other day, without any reference to you—I didn't know that you were the owner of the *Homeward Bound*—had made a statement that the captain of that ship had made an affidavit that turned out to be absolutely false, that he admitted to Mr. Littlefield that it was false, but was made on the advice of counsel. That was the reason why I spoke as I did.

Mr. ELLIS. After I have given you the explanation that I did, was my ship wrecked in the waters of the United States, or was she not?

The CHAIRMAN. I don't think she was; I voted against the bill on that ground.

Mr. ELLIS. Much obliged for your opinion; I refer you to the Attorney-General.

The CHAIRMAN. I would like to have Senator Gallinger make a statement. Mr. Stenographer, will you please read the statement that Mr. Ellis made in regard to Senator Gallinger?

The STENOGRAPHER. I think that statement was contained in Mr. Ellis's written statement, which he read; that is my recollection.

The CHAIRMAN. Mr. Ellis, did you make the statement in regard to Senator Gallinger from your manuscript?

Mr. ELLIS. No; not from my manuscript, but I can state it again. I said when I first came to Washington, two or three months ago, I outlined this bill, and took it to Senator Perkins and explained it to him. He said, "I don't see any objection to it, but I wish you would take it to Senator Gallinger and see if he can see any objections in it." He gave me a card to Senator Gallinger, and I went to see the honorable Senator and explained my bill to him, and he practically said this—

The CHAIRMAN. Well, what did he say?

Mr. ELLIS. Well, it is so long ago that I don't know that I can recollect the exact language, but I will do the best I can. He said, "I can see no objection to this bill." He positively said that. He said, "Mr. Marvin is better posted on these matters than I am, and I wish you would go and talk to him on the subject," and he gave me a card to Mr. Marvin.

The honorable Senator said to me: "Why in the world didn't you come here before, we have been discussing this subject for two years, and I think your bill is the best." I am trying to confine myself to what he actually said. I am under the impression that he said that my bill was the best he had seen on the subject, but I am not absolutely sure. At a later time I went to the honorable Senator and had a further talk with him, and he said, "I did not change our present bill;" and I said, "Senator, if your bill gets held up, I will try to have it amended in the House to conform to my plan," and he said, "I think that is the best plan." Whether he said it sarcastically or not I don't know, but that was his absolute wording.

Mr. LITTLEFIELD. Let me ask you, did you see Mr. Marvin, to whom he had referred you?

Mr. ELLIS. I did see Mr. Marvin. Mr. Marvin said: "I feel very friendly toward the bill, but I would like to discuss it with the honorable Commissioner of Navigation."

The CHAIRMAN. Have you stated your remarks in regard to Senator Gallinger as you stated them before he came in here, exactly as you did a few minutes ago?

Mr. ELLIS. I think so.

Senator GALLINGER. When the so-called shipping bill passed the Senate I had hoped that my troubles were over, and I somewhat regret being called here this morning to dispute the statement made by Mr. Ellis. Mr. Ellis is laboring under the disability of an imperfect memory. He does not state—

Mr. HINSHAW. And hearing, too.

Senator GALLINGER. And hearing, too. Mr. Ellis appeared in my committee room, and I recalled him when he told me his name as the gentleman who came here to get a register for a wrecked vessel that he wanted to employ in the foreign trade, and I was interested in him for the reason that I learned he was here for the purpose of getting the privilege of operating that vessel in the coastwise trade. My interest arose from the fact that it was about as practical and as striking an illustration of the free-ship fallacy as had come to my attention, and I think whatever interest I had in him arose from that circumstance. He handed me his bill. I glanced at it very hurriedly, and said to him

not "Why did you not come to Washington for a hearing?" but "Why did you not appear before the Commission in San Francisco, where we had hearings and where I understand you reside? We advertised to the people of California that we were there for the purpose of hearing all sides of the shipping question, and we would have been glad to have you appear there, Mr. Ellis, and make your statement, and glad to give it careful consideration."

I looked his bill over (I was very busy), and I didn't think there was anything in it. I thought that we would have run up against about thirty-one commercial treaties, to say the least, if we undertook to legislate in that direction; but I did turn him over to Mr. Marvin, who had leisure on his hands, for the purpose of getting rid of him.

Subsequently Mr. Ellis came again. I did not mean to be discourteous to him, but I gave him but a moment of my time, saying that I did not think there was anything in his proposition; at least I could not discover anything; that the bill was before the House, and he could make his representations, whatever he desired to make, to the House members of the committee, or the committee as a whole, if he had an opportunity to do so.

That is all there is in the Ellis matter. I thought he had been dreaming, or somebody had been dreaming for him, and that he really thought he had made a discovery, which from the little knowledge that I possess on shipping matters I could not agree to. But I am very sorry that Mr. Ellis has since thought of quoting me as a sponsor for his bill. I never suggested that it was better than the Senate bill, because I did not believe it was; and perhaps I would not have said so if I had believed it. I did not so state. I simply put my statement against Mr. Ellis's and ask the committee—

Mr. HINSHAW. In the original bill introduced in the Senate, was there a tonnage tax provision?

Senator GALLINGER. An increased tonnage-tax provision. That was stricken out.

Mr. HINSHAW. Wherein does it differ from the Kahn bill?

Senator GALLINGER. We simply propose to increase the tonnage duty of our own ships and those of all foreign countries.

Mr. HINSHAW. That would not be obnoxious to the treaties?

Senator GALLINGER. That would not be.

Mr. HINSHAW. But this would be.

Senator GALLINGER. That would be, in my opinion.

I thank you, gentlemen.

Mr. MARVIN. As I have been referred to, Mr. Chairman, I would like to say that Senator Gallinger has stated his opinion of Mr. Ellis's proposition exactly as he stated it to me. Mr. Ellis did come to me, and we had a long talk over the technical details of his proposition, that being the reason that he was sent to me. I suggested a great many objections, and he met them as he could; and in conclusion I said to him that I thought that as the bill was well launched in the Senate the best plan for him was to go with his ideas before the House committee, state his ideas to the members of the House committee, and have them consider them and pass their judgment upon the bill. I simply wished to give him as fair a chance as possible before the committee, so long as he presented his proposition in good faith. Under those circumstances I thought he ought to have a fair hearing.

STATEMENT OF SAMUEL GOMPERS, PRESIDENT OF THE AMERICAN FEDERATION OF LABOR.

Mr. SPIGHT. Mr. Chairman, Mr. Gompers is here and would like to make a statement if the committee will hear him.

The CHAIRMAN. Would you not rather come back to-morrow?

Mr. GOMPERS. I understand some reference has been made here to the position which my colleagues on the executive council of the American Federation of Labor have taken, and myself, too; at least I learn that some one who has spoken for the American Federation of Labor upon the pending bill has been asked as to whether there was any authority—that the executive authority—that the executive council has had, or that I have had, in saying that the organization was opposed to the present bill. I understand further, that the gentleman who was spoken to at the time was uninformed as to the position of the American Federation of Labor on that subject. I did not come here this morning to argue the bill, but I should be glad, if there are any gentlemen of this committee or any gentlemen present who may desire to interrogate me upon that point, to answer any questions.

Mr. HINSHAW. On the point of authority?

Mr. GOMPERS. Yes, sir.

Mr. HINSHAW. I do not suppose anybody disputes your authority; I would not think so.

Mr. GOMPERS. I understand that it is in the record that the authority has been questioned, and I came here for the purpose of just supplying that authority.

Mr. SPIGHT. Just state to the committee by what authority that declaration was made by your council in opposition to what is known as the ship subsidy bill.

Mr. GOMPERS. I think your humble servant in a letter to Senator Allison, quoting a letter to Mr. Daniel J. Keefe, a copy of which was submitted to your committee by the representative of the member of the legislative committee, Mr. Grimes—a copy of the letter I have in my hand—and that is already a part of the record, so I shall not ask the committee that it be read—

The CHAIRMAN. What is the fact?

Mr. SPIGHT. That is all in the record, I think, Mr. Chairman.

Mr. LITTLEFIELD. Was the letter from Mr. Goff or to Mr. Goff?

Mr. GOMPERS. No; the letter to Senator Allison quoted a letter to Mr. Keefe.

Mr. SPIGHT. I think it is in the record.

Mr. LITTLEFIELD. Who was the letter written by that was written to Mr. Goff?

Mr. GOMPERS. My letter?

Mr. LITTLEFIELD. What you propose is to show the authority from the organization—that you represent the organization on this question?

Mr. GOMPERS. Yes, sir; and that Mr. Grimes in reading that letter, "having been questioned as to the authority that Mr. Gompers has from the executive council of the American Federation of Labor for saying the American Federation of Labor has repeatedly gone on record"—that is the substance of the language that was used—that the American Federation of Labor has repeatedly gone on record upon the subject; and that this letter has been called in question.

Mr. LITTLEFIELD. What we want now is to show what authority you have from the organization.

Mr. GOMPERS. Yes, sir.

Mr. WILSON. The American Federation of Labor is opposed to this legislation?

Mr. GOMPERS. Yes, sir.

Mr. LITTLEFIELD. Is it a unit on it?

Mr. GOMPERS. Yes, sir.

Mr. LITTLEFIELD. I am not familiar with the details of the organization. We had a gentleman here the other day from Cleveland representing the Boiler Makers and Iron-Ship Builders' Union. Are they affiliated with your organization?

Mr. GOMPERS. The men who came here?

Mr. LITTLEFIELD. The organization that they represent.

Mr. GOMPERS. Mr. Littlefield, you will please distinguish between the organization and the organization that they purport they represent themselves as representing.

Mr. LITTLEFIELD. I didn't know the facts in that respect.

Mr. GOMPERS. I want to get the question as clearly as I can in my mind, so that I can answer it as intelligently as I can.

Mr. LITTLEFIELD. Now, they claimed to be representing the Boiler Makers and Iron-Ship Builders' Union, as I remember it. They stated, and I mention this so you will have the whole statement, that the organization they represented was affiliated with the American Federation of Labor. Of course, we do not know the fact; only that statement.

Mr. GOMPERS. The organization that they pretended to represent is affiliated with the American Federation of Labor, but they don't represent the organization.

Mr. LITTLEFIELD. In other words, they had not any authority to appear here from their organization?

Mr. GOMPERS. When they made the statement that they did represent the organization, they made a misstatement to this committee.

Mr. LITTLEFIELD. How about a man by the name of McNeil? Are you acquainted with Mr. McNeil, of Kansas City, Kans.?

Mr. GOMPERS. I am, sir.

Mr. LITTLEFIELD. He was at one time, I believe, president, was he not, of his organization; the national president?

Mr. GOMPERS. Yes, sir.

Mr. LITTLEFIELD. Is he now president of it?

Mr. GOMPERS. No, sir.

Mr. LITTLEFIELD. Is he now a member of the organization in question?

Mr. GOMPERS. He is not. He has been deposed as president and is not now a member. If you will permit me to read—

Mr. LITTLEFIELD. What were the names of these other gentlemen who appeared here?

Mr. WILSON. Mr. Donahue, of California, is another man who appeared here.

Mr. GOMPERS. I don't know him.

Mr. WILSON. Do you know Mr. Simpson, of Chicago?

Mr. GOMPERS. No; I can not say as to him.

Mr. WILSON. He claimed to have the authority to represent 20 labor organizations in the city of Chicago here, and was delegated by them to appear here on this bill.

Mr. GOMPERS. I will say that I think the accuracy of that statement could be ascertained within twenty-four hours, and the accuracy of the statement made by the gentleman (Mr. Donahue) from California could be ascertained within the same limit of time. I am referring to Mr. McNeil and Mr. Alex J. Cochrane.

Mr. LITTLEFIELD. Mr. Cochrane is right here.

Mr. GOMPERS. When I heard that Mr. McNeil was around here—

Mr. LITTLEFIELD. I didn't hear Mr. McNeil's statement, but my recollection is that he did not claim that he was the official representative; but I think all of the other gentlemen claimed that they were here representing those organizations.

Mr. SHERLEY. He did state, however, that the organization was in favor of this bill.

Mr. LITTLEFIELD. I so understood him, but that he did not undertake to be the formal representative.

Mr. GOMPERS. Is it true or not that the impression he left upon the minds of the committee was that he spoke for the Brotherhood of Iron-Ship Builders?

Mr. LITTLEFIELD. I think he left that impression.

Mr. GOMPERS. Never mind what the exact word is, but the intent he proposed to convey.

Mr. LITTLEFIELD. I think the impression we got, Mr. Gompers, was that the Boiler Makers' Union, which this man represented, was in favor of the legislation. That is the impression I got from what I heard.

Mr. SPIGHT. And that he was here as their representative.

Mr. LITTLEFIELD. He did not undertake to be the representative.

Mr. SPIGHT. That was the impression made, I am quite sure.

Mr. GOMPERS. When I learned of it, I sent this telegram to Mr. George P. Dunn, president of the Brotherhood of Boiler Makers and Iron-Ship Builders, under date of April 5:

Former President McNeil, Brotherhood of Boiler Makers and Iron-Ship Builders, appearing before the Congressional committee purported your brotherhood stands for ship subsidy bill. Please wire me position of your brotherhood upon this subject as expressed by your recent convention; and also standing of McNeil in brotherhood.

SAMUEL GOMPERS.

To which I received this reply:

CHICAGO, April 6.

SAMUEL GOMPERS.

Convention took no action. Council stands for American-built ships, against ship subsidy. John McNeil at present is not member or officer of this brotherhood.

GEORGE P. DUNN.

Mr. GOULDEN. What is his official position?

Mr. GOMPERS. President of the Brotherhood of Boiler Makers and Iron-Ship Builders. A few months ago another bill was before a committee of Congress, and one or two gentlemen came to Washington purporting to represent the labor organizations of their respective cities.

Mr. LITTLEFIELD. That is the pilotage bill.

Mr. GOMPERS. Yes, sir. One of the credentials that was presented was signed by Mr. Alex J. Cochrane, as president of Lodge 168 of the Brotherhood of Boiler Makers and Iron-Ship Builders. His name was sanctioned to that credential. I sent a telegram to Mr. William J. Gilthorpe, general secretary of the Brotherhood of Boiler Makers

and Iron-Ship Builders, asking the membership of the local union of the city named, because in the credential it was stated that there were 400 members, and I received the following reply: "Lodge 168, of Bath, Me., lapsed in January, 1905." In other words, the credential bearing date February 21, 1906, and signed by the gentleman as president of the local union 168—that union was out of existence for more than a year.

Mr. COCHRANE. Will you give me a minute?

The CHAIRMAN. No, I don't think we had better do that. What he has just been stating relates to some other bill.

Mr. LITTLEFIELD. Mr. Cochrane has a letter relating to some other bill.

The CHAIRMAN. We will hear Mr. Cochrane, but we don't want to get into a controversy at this time; it is a matter not under consideration at this time.

Mr. GOMPERS. It was made to appear as if those who were speaking for the American Federation of Labor, in its name, were assuming a power they had no right to assume. On the other hand, those who came in advocacy of the bill—I am calling attention to their real standing. In 1898 the convention at Kansas City, Mo., there were two resolutions introduced, resolution No. 73 and No. 74. Both of them were referred to the committee on resolutions. Let me read them: (Reads.)

Whereas a large merchant marine is desirable for industrial purposes and necessary from the standpoint of national defense, as proved by the difficulty in obtaining suitable transports and experienced seamen during the late war; and

Whereas among the sundry propositions to increase the merchant marine no cognizance is taken of the constantly decreasing number of native seamen; and

Whereas we hold that any vessel, no matter where built, would in no real sense be American vessels manned by native or citizen seamen; and

Whereas we bear in mind that the shipbuilders of our own country, by their own admission, are able to underbid the shipbuilders of Europe; and

Whereas the hours of labor are shorter on the Clyde than in our yards; and

Whereas our shipbuilders are now drawing their crews from the whole earth, regardless of experience, language, nationality, or race, at rates of wages entirely controlled by localities and the same to all nations' vessels; therefore,

Resolved, That while we favor an increased national merchant marine, we are opposed to any and all subsidies, holding that they are unnecessary and have so far done nothing to improve the condition of the employees of either the shipbuilders or shipowners, nor to induce native boys to become seamen.

Mr. LITTLEFIELD. What is the date of that?

Mr. GOMPERS. 1898. Both were on the same subject.

In 1899, at Detroit, the convention of the American Federation of Labor adopted the following resolution:

Whereas the natural resources of this country furnish everything necessary in abundance to build ships at a lower cost than in the shipyards of Europe, this being proven when the hearing before the Senate committee was held June 12, 1898;

Resolved, That while we favor an increased national merchant marine, we are opposed to any and all subsidies, believing the industry amply able to care for itself.

The CHAIRMAN. Let us have something of modern date; that is some seven years old.

Mr. LITTLEFIELD. I think Mr. Gompers had better be heard in his own way; he is coming down to date.

Mr. GOMPERS. Let me call your attention to what the convention of the American Federation of Labor did as one of its last acts upon this subject. Two resolutions were introduced, and were referred to the committee on resolutions, upon the same subject.

Mr. LITTLEFIELD. What is the date?

Mr. GOMPERS. This is in 1901. These are referred to as group resolutions 50, 140, and 142, and state, "as the American Federation of Labor is upon record upon the subject, we deem further action of this convention unnecessary." The report was concurred in.

Mr. SHERLEY. Those resolutions that were grouped were resolutions relating to the ship subsidy?

Mr. GOMPERS. Ship subsidy; yes.

Mr. LITTLEFIELD. A reaffirmation of their former action.

Mr. GOMPERS. You may imagine the state of mind of the delegates to the American Federation of Labor upon this subject, when they have discussed this so frequently, and the opinion is so unanimous, and it is useless to waste further time discussing it in the American Federation of Labor. At this late day your humble servant has authority to speak in the name of the American Federation of Labor upon that subject.

Mr. LITTLEFIELD. Let me ask you, has there been any action since 1901?

Mr. GOMPERS. No, sir.

Mr. LITTLEFIELD. Relying upon the repeated statements of your organization in its national meetings you have taken this action in connection with this bill?

Mr. GOMPERS. Necessarily. And secondly, even the organization, that at one time did declare in favor of the ship subsidy, not because of the ship subsidy, but because it believed that it would result in the increase in shipbuilding—

Mr. LITTLEFIELD. And improvement in the condition of the seamen, I suppose.

Mr. GOMPERS. I don't think that even they made that pretense.

Mr. LITTLEFIELD. When was that declaration that you now speak of made, Mr. Gompers?

Mr. GOMPERS. If you will permit me to finish my sentence I will say that the organization of Boiler Makers and Iron-Ship Builders, if it had a few times declared in favor of the ship-subsidy bill under the belief that it would result in increased shipbuilding, did not do so, and designedly did not do so, at the last convention held within the past six weeks. And furthermore, its president, in conversation, was glad to say that he did not believe in it, and that that was one of the issues upon which he was elected.

Mr. LITTLEFIELD. But the society itself did not take any formal action either way?

Mr. GOMPERS. Yes, sir.

Mr. LITTLEFIELD. Up to that time they had been in favor of it?

Mr. GOMPERS. Yes, sir.

Mr. LITTLEFIELD. Now, Mr. Gompers, I have here a resolution adopted by the Bricklayers and Masons and Plasterers' Union No. 6, in Brunswick, Me., favoring the ship subsidy bill. I don't really know whether they are affiliated with your organization or not. Would you be able to state now whether they are or not?

Mr. GOMPERS. I think they are not, sir.

Mr. LITTLEFIELD. You can ascertain that, I suppose?

Mr. GOMPERS. As a matter of fact, so many representations have been made in regard to organizations of labor in Maine that it was necessary to make an investigation to find out something of the authenticity and bona fide character of the existence of several of them.

Mr. LITTLEFIELD. Of course that is something that I know nothing about excepting that it is forwarded to me; but I didn't suppose you could, of course, state without investigation.

Mr. GOMPERS. The bricklayers and masons are not affiliated with the American Federation of Labor.

Mr. LITTLEFIELD. Are not?

Mr. GOMPERS. Are not. Whether this local No. 6 has a bona fide existence or not, I am not prepared to say; but even if it is, it is not affiliated.

Mr. GOULDEN. The action taken recently by the American Federation of Labor in regard to this question now under discussion was taken after due conference and consultation of the executive council of your organization and voiced by you?

Mr. GOMPERS. Yes, sir; and let me say further that the question has been discussed quite frequently on the public platform and in our official publication, the American Federationist.

Mr. LITTLEFIELD. Was the action of your council placed on record?

Mr. GOMPERS. The executive council?

Mr. LITTLEFIELD. Yes, sir.

Mr. GOMPERS. Yes, sir. The executive council has prepared, signed, and issued what has become popularly known as Laborers' Bill of Grievances, and in that bill of grievances this is referred to—the ship subsidy bill.

Mr. LITTLEFIELD. That is the recent document that appeared in the papers two or three weeks ago?

Mr. GOMPERS. Yes, sir.

Mr. LITTLEFIELD. That was the formal action of your council?

Mr. GOMPERS. Yes, sir.

Mr. LITTLEFIELD. And in that document appears the statement of your organization in relation to the ship subsidy bill?

Mr. GOMPERS. Yes, sir.

Mr. WILSON. A short time ago you stated that at one time the American Federation of Labor was in favor of the ship subsidy bill.

Mr. SPIGHT. That was the Boilermakers' Union.

Mr. GOMPERS. The Brotherhood of Boilermakers and Iron Shipbuilders advertised itself at one time in favor of the ship subsidy.

Mr. SPIGHT. When?

Mr. GOMPERS. I don't know; I really don't know. As a matter of fact, all I do know is that its officers advocated it. Now, whether they had authority, I don't know. I have no right to question it, because I don't know.

Mr. HINSHAW. But the American Federation of Labor has not declared at any time in favor of the ship subsidy bill?

Mr. GOMPERS. Never.

Mr. SPIGHT. It was stated the other day before this committee that Mr. Stewart Reed, acting under your instructions, had arranged for a meeting in Bath, Me., I think it was, to discuss this question of ship subsidy, and that the meeting was called, and that Mr. Reed, or some other representative of you or your organization, appeared at that meeting. That was made as a basis of criticism. What do you know about that?

Mr. GOMPERS. The real merit in it is that there is no truth in it. Mr. Reed happens to be here this morning—in this room. He went to Maine at my direction to organize, to help in ascertaining the truth

of the statements made by a gentleman—two gentlemen—who came here; but I assure you that the name did not occur to me—of Mr. Cochrane—the name did not occur to me at all; but this morning the secretary of the committee, I believe, was reading some of the names of the gentlemen who appeared before this committee at former hearings sotto voce. I was reading. Mr. Reed, who was listening intently, heard the name of Mr. Cochrane, and said: "Why, that is Cochrane, who signed Donnell's fraudulent credentials." I said: "What? You find out whether that is the name." He went out and, I think, he asked the secretary whether he heard correctly as to the name. He came back and said: "I have a copy of the credential with me." The gentleman came here, Mr. Donnell, a few months ago with a credential. I asked for a copy of the credential, and this is the copy of it. It contains the name of Alex J. Cochrane, president of the 168 lodge, but upon inquiry there—in Maine, upon the ground—and upon my inquiry before receiving the telegram from Maine, directing the telegram to Secretary Gilthorpe, I have ascertained that the organization had lapsed and gone out of existence nearly a year before these men came here as representatives of the organization.

Mr. LITTLEFIELD. Where does Gilthorpe live?

Mr. GOMPERS. Kansas City, Kans.

Mr. LITTLEFIELD. He has the custody of your records?

Mr. GOMPERS. He is general secretary of the Brotherhood of Boiler makers and Iron Shipbuilders. Here is a letter from J. A. Smith, signed here as one of those who signed that credential:

Mr. REED.

DEAR SIR: As there is not any boiler makers' union, which has disbanded, I can not call a meeting. In regard to delegates you speak of, they had nothing to do with it. As I understand, it was the business men of Bath. I do not think you could call a meeting here; that is, for union men. I think the masons and brick layers are the only ones.

I remain, yours respectfully,

JOSEPH A. SMITH.

Now, gentlemen, Mr. Reed, going to Maine, addressed a letter to Mr. Smith, asking him whether he would call a meeting of the boiler-makers' union; and he writes this letter that there is no such thing. But here is what purports to be his name signed to a credential, the same as this gentleman's, Mr. Cochrane's, I am sorry to see them in such bad company, making false representations. It is not a good thing for a man to do.

The CHAIRMAN. Mr. Gompers, I would like to ask you a few questions. Can you not come back?

Mr. GOMPERS. If you will postpone the consideration of this bill until 1908, I will come then.

The CHAIRMAN. You can dictate a good many things, but possibly not that.

Mr. LITTLEFIELD. You would not want to apply that to all of the bills pending that you are interested in?

Mr. GOMPERS. I am interested the other way in this.

The CHAIRMAN. How are you interested against this bill, Mr. Gompers?

Mr. GOMPERS. I am against the general proposition of subsidies, first; but that is not the only reason. I am against the proposition to make the opportunity to earn a livelihood—to make it practically compulsory for a man to render himself a conscript in the naval service.

The CHAIRMAN. Are you in favor of compelling a ship to pay two-thirds of the cargo receipts for the services of a pilot into one of our harbors when there is no necessity for his going there?

Mr. GOMPERS. I think that is an extraneous question to the subject under consideration.

The CHAIRMAN. How far is that from a subsidy?

Mr. GOMPERS. Let me say this: That I have a very great regard for the chairman's ability as a cross-questioner; but if he desires to discuss the economic and sociological questions involved in the demands of organized labor, then I am prepared to meet him.

The CHAIRMAN. I have no doubt about that, but let us get back to the real question.

Mr. GOMPERS. If you desire to ask me questions I am perfectly satisfied to answer them before the committee having that bill under consideration, and I will answer to the best of my ability; but there is enough meat in the opposition to this bill without bringing in any other question.

The CHAIRMAN. That is what I wanted to get at. Do you believe that the American people should build and operate a system of merchant marine to carry the products of American labor to the foreign markets of the world?

Mr. GOMPERS. Yes, sir; and more, so that we may carry considerable of the trade of foreign countries.

The CHAIRMAN. We are now paying \$200,000,000 a year to foreign ships for cargoes, and we are transporting about 5 or 6 per cent of our production in our own ships and we are building no ships. There has not been a foreign-going ship's keel laid in the last two years. Have you any suggestion, as the head of a great organization which I heartily respect, about any relief for that situation, or do you think the situation is satisfactory?

Mr. GOMPERS. I do not think it is satisfactory. I say, too, that I have not given the subject of a suggestion for the building up of the merchant marine the thought that it deserves; but my mind is so occupied with matters of duty that it is simply crowded out. Let me say, however, that for a considerable period of time the policy of the American shipbuilders has been to drive out any attempt at organization of the employees.

The CHAIRMAN. Are not the employees of the great shipyards all organized into a labor organization?

Mr. GOMPERS. Not all of them, I am sorry to say. I say that that spirit, the policy of the shipbuilding companies, as a rule, has been antagonistic to any form of organization among their employees other than the philanthropic—the organization of the trades unions for their mutual protection. Then, again, there has been little if any change in the hours of labor of the men engaged in the shipbuilding industry of the United States since the foundation of the industry. The hours of labor are generally ten all of the time. I may say this, that I believe we have the material at hand and that we have the men; that ships can be built just as good, just as cheaply, and just as quickly as they can be built in any other part of the world.

The CHAIRMAN. Now, Mr. Gompers, the men who are building these ships, both in the Government yards and in the private yards, come here and tell us—under oath some of them—that it costs not less than 30 per cent more to build a ship in the United States than on the Clyde.

Have you any facts of your own personal knowledge that will justify you in contradicting those statements?

Mr. GOMPERS. I can not now.

The CHAIRMAN. Let me get to another point. Have you considered the fact that a ship completed under the American flag, as the conditions are to-day, is a worthless piece of property if she must be run under American wages in competition with foreign wages?

Mr. GOMPERS. Yes, sir; I have given that considerable attention. I know that the wages of the American seamen going to foreign ports in competition with other vessels—the wages are settled by the ports to which the men go and come, and are equal in those cases.

Mr. HINSHAW. That is, you mean that a boat going from New York to Rio Janeiro, for instance, may have—an American boat—to pay as low wages as a ship coming from England over here, to Rio Janeiro, or elsewhere.

Mr. GOMPERS. Yes, sir; or to any continental port in Europe.

Mr. SPIGHT. The flag does not control the wages, but the port.

Mr. GOMPERS. The port—the destination.

The CHAIRMAN. I am not quite sure about that.

Mr. GOMPERS. May I submit, Mr. Chairman, that in a matter of statement of this character, I should prefer to yield in the presentation of it, and its justification, to a gentleman who has followed the sea nearly all his life.

The CHAIRMAN. We have had Mr. Furuseth considerably.

Mr. GOMPERS. But while he has had considerable time and attention, yet there is very much in that head of his that might benefit this committee if you will give him an opportunity.

The CHAIRMAN. We have a statement here that seems to be an official one from a reliable source concerning two ships of equal tonnage. Here are the figures of cost of running them: Wages for a month under the American flag, \$50; Norwegian, \$25. Thirty dollars under the American and \$20 under the Norwegian. One hundred and fifty dollars—that is, the captain—under the American and \$100 under the Norwegian. One hundred and thirty-five dollars and \$80; \$80 and \$45, and so on. Now, we have a statement here, a series of statements, made from New York to San Francisco at all the points where the Commission went, from owners of ships and skippers, who constantly and uniformly stated that they would not take as a gift a foreign ship and run her under the American flag under the present condition of things because of the disparity in wages and cost of running the two ships. Now, these were practical men and men engaged in the business.

Mr. GOMPERS. I should prefer that a practical man shall answer that question.

Mr. LITTLEFIELD. You do not have specific knowledge?

Mr. GOMPERS. Not sufficient to warrant me in answering that.

The CHAIRMAN. I was asking the questions in good faith, and I will request you to come again at some time.

Mr. HINSHAW. I would like to ask you a question, but perhaps, Mr. Gompers, you may not be prepared to answer, though I will ask it anyway. I have tried to find it out before this. It purports to come from the Wilmington, Del., Every Evening. It says: "When steel plates manufactured in this country are delivered in Belfast \$10 a ton cheaper than the shipyard in this country can obtain them for, the question that meets the subsidy seeker is: Will it not be better

to bring about a reduction in the cost of shipbuilding materials than to attempt to force the business by subsidies from the National Treasury?"

I would like to ask what, if anything, you know about the fact alleged in that statement?

Mr. GOMPERS. I think it is an allegation that is so patent to anyone who cares to investigate, that it is the absolute truth.

Mr. HINSHAW. That is to say, you believe that it is true that steel-plate manufacturers lay down steel in Belfast \$10 cheaper than the shipyards of this country can obtain it.

Mr. GOMPERS. Yes, sir; not only that, but in many other industries that is a fact.

Mr. LITTLEFIELD. What is the nature of the information, Mr. Gompers, upon which that statement is made?

Mr. GOMPERS. The nature of the information?

Mr. LITTLEFIELD. The nature of the facts.

Mr. GOMPERS. For instance, if those in Europe will advertise these very same things and then give us the prestige we have, say "made in America," and then offer them for sale at a lesser price than those things are had for in the United States and sold for in the United States, it is pretty fair evidence in the first instance. Secondly, there are instances where men can go abroad and buy articles in Europe of American manufacture and bring them back to the United States and sell them at a lesser price than the dealers can buy them for in the United States.

The CHAIRMAN. If you will take a seat up in the gallery of the House to-morrow, you will get some light upon that question.

Mr. GOMPERS. That is not essential. I can get it from the Congressional Record.

Mr. LITTLEFIELD. I want to call your attention to that specific statement—that is, that steel is sold at \$10 a ton cheaper in Belfast than to domestic purchasers here. Do you understand from that that that makes a price in Belfast cheaper than steel manufactured in Great Britain, so that the builders of ships in Belfast are now buying, and have been during the last few years, American steel cheaper than they buy steel manufactured in Great Britain?

Mr. GOMPERS. I so understand, sir.

Mr. LITTLEFIELD. The reason why I asked you that question is that I talked with Mr. Carlisle, the managing director of the Harland & Wolff Company, in August last, and he told me that five years before that he had bought \$50,000 worth of American steel, but none since; and that he bought it five years ago because he could get it. What I wanted to get at was whether you had possession of the real absolute facts which show that it was being sold in Belfast at those rates, or only information in a general way.

Mr. GOMPERS. None, other than what I have just mentioned. I am not dealing in commercial affairs, that is not my business.

Mr. LITTLEFIELD. Precisely so.

Mr. GOMPERS. My business is of a distinct character.

Mr. HINSHAW. The shipbuilding material can come in, as I understand it, free of duty to this country.

Mr. SPIGHT. For foreign trade.

Mr. HINSHAW. That is what I mean. The material brought into this country comes in free. Would it not be possible for an American

shipbuilder, building for the foreign trade, to bring in from England or Scotland the iron and other material so as to compete here with the American steel plate manufacturers and the manufacturers of other materials?

Mr. GOMPERS. May I ask to be excused from answering that question? I give you my reasons for it, gentlemen. Of course I have my own views upon the tariff question, but the American Federation of Labor has, as an organization, taken a neutral position, and leaving to each man the determination for himself as to his judgment on the question of the tariff. I can not continue answering these questions without in some way committing myself upon the tariff proposition, either protection or free trade; and I don't want to express a personal view and thereby, in a way, be held to having expressed what might be an official view.

Mr. HINSHAW. I did not intend to get into a discussion of the tariff question, but simply of one question as to whether or not, there being no tariff on this material, why it is that American shipbuilders can not successfully build ships here, unless it is the labor proposition that enters into it and prevents them from building in competition with companies on the Clyde.

Mr. GOMPERS. As a matter of fact the hours of labor of the men employed in American shipbuilding are longer than they are upon the Clyde.

Mr. HINSHAW. Now, taking into consideration the efficiency, the comparative efficiency, of the American shipbuilder and the foreigner, and taking into further consideration the disparity, if there is any, in the wages paid, why is it not possible, if material is equally cheap here, for the American shipbuilder with American labor to build successfully in competition with his foreign brother?

Mr. GOMPERS. I am satisfied that he can. Let me call your attention to the fact that some four years ago, before the House Committee on Labor, was pending the extension of our present eight-hour law, and Mr. Cramp, the senior member of the firm, upon the witness stand made this statement, that the Russian Government was about to build some battle ships, and the inclination was to give the preference to French shipbuilders because the French bankers had advanced money or floated Russian loans, so the predilection was to give the contract to the shipbuilders of France. There were specifications submitted as to what was needed, and the French shipbuilders demanded five years to build the battle ships required, and Cramp's Shipyard contracted to complete the ships within thirty months, or just half the time, and at a lesser cost. Now that was Mr. Cramp's statement. It has never been disputed since. But I am satisfied that that is true. They have the ability and the dexterity. When our workmen are engaged in their employment, and the European workman coming to the United States doing the same class of work sees them, he is simply dazed by the swiftness with which our workmen move, and they get into the accelerated movement in a few months or drop by the wayside. They have got to. The productivity of the American workman is greater per man than any other in the world.

Mr. WILSON. Now, there have been several laboring men here, claiming to represent their various organizations from different sections of the country, in support of this bill. Will you advise this

committee—can you get the information whether or not they are authorized to so represent their organizations?

Mr. GOMPERS. I have already given it in regard to two gentlemen.

Mr. WILSON. Yes; but there are others.

Mr. GOMPERS. If it meets with the approval of the committee, I would be glad to try and furnish the information in regard to the others.

Mr. WILSON. I would be glad to have it, as one member of the committee.

Mr. GOMPERS. You may rest assured of this. That the quest for information will be impartially conducted, and the truth given to the members of the committee, regardless of what it may be. There is nothing to hide, and I would not want to hide anything; and even if I wanted to, I would not dare to do so.

Mr. LITTLEFIELD. Mr. Chairman, Mr. Cochrane is here, from Bath, and wants to make a statement in relation to his attitude before the committee.

The CHAIRMAN. Very well.

STATEMENT OF ALEX J. COCHRANE, OF BATH, ME.

Mr. COCHRANE. Mr. Chairman and gentlemen, in regard to Mr. Gompers's saying that I was not president of a lodge in Bath, that we were defunct in 1905, I will say that I will tell you how it was. When we are cut down to a certain number of members, and we can not pay our room rent, and we can not pay our per capita tax, we have to quit. Yet I told you the last time I was here that we only had one scout in our yard. Before that we had the *Georgia*, but nothing in sight. When the men got through, then we got the scow. And there were only a few of the other ones left, the men called the big workmen. You can get the smaller workers at any time; and it was down to seven or eight that were left there, the leading men of the organization, such as the secretary, the treasurer; and the president was on his way out to the Lakes. The number was gradually getting less and less until there were about four of us. We kept paying the per capita tax of about seventy or eighty members, and paying the room rent out of our own pocket, so as to keep the per capita tax up; in fact, the others did not care to pay money for something that they didn't see in sight.

Three or four of us got together, and they says, "Alex, what shall we do?" I says, "The best thing is to send the charter back; we don't seem to have anything in sight." They said that it was the best thing, and we sent it back. We still remained there, dodging about, doing anything as long as we got away from the boss, and then we got the scout ship. Then the pilotage bill came up, and I said to myself, "Alex, you are pretty well acquainted about Baltimore and Washington, what is the matter with my indorsing your papers and your going down there? You might meet somebody that knows you, take you around," and I says, "Sure." So I says, "We had better get what few together there are here now, and we will pick out a man, a president, a secretary, and a treasurer, or anything we want, so as to indorse this paper in the right language." We did that, didn't have a lot of time, but we did it. And they says, "Well, Alex is about as good as anybody and we can get together and I guess we will make

him president." I signed my name president, and Mr. Gompers calls me down for signing my name as president to something I was elected to. He didn't tell you that the late president of the Baltimore lodge—he threw it into me in the first case, but he didn't let you know that I was president of the Baltimore lodge three years, vice-president at one time. When Mr. Gompers makes a statement he ought to give it all.

In regard to Donahue, he is vice-president for the Boilermakers and Iron Shipbuilders of America, and I can prove it. Tommy Murphy, he is another; he can prove it. You don't need to go any further to find out whether the Iron Shipbuilders and Boilermakers are in favor of the subsidy bill. Our resolution was passed on Saturday, is on the front page, and you can read it. Mr. McNeil stated himself here that there was no action demanded on the subsidy bill at the Kansas City, Kans., convention. There was a little contention in regard to McNeil, and he didn't want to have his name brought in, putting his nose in again on the subsidy bill, so he thought he would let it drop. But I believe it was the next week after the convention at Kansas City, Kans., that the executive committee got together and sent these two men right down here to Washington to push this bill for all they were worth.

Now, Mr. Gompers knew we were in town last week. He knew McNeil was here last week. He thought we all went away, and so we did; but I have a couple of friends in Baltimore that I like to see, and I thought I would drop back. Mr. Gompers, if I have anything to say to anyone, if he is not right, I am going to see him when he is here, and I don't give any credit for his show this morning. He may be right, but at the same time I don't think he is giving the younger man a fair show. He didn't know I was here when he made that statement about Mr. Stewart Reed. Have you got that letter, Mr. Stewart Reed, that I wrote you?

Mr. REED. No.

Mr. COCHRANE. You have got Smith's letter all right, all right. I would like to tell you how this letter came to me. Donnell was up here on the pilotage bill, and I told you how I indorsed his letters. Whether I am wrong or right I am not going to argue the question. I know how I feel about it. I think I am right. When Bill Donnell was up here in regard to the pilotage bill, Mr. Gompers or Mr. Stewart Reed, I don't know which, read my papers and found out that I was president, and they wrote to me, and sent it over by a man from Portland, I think it was—the mails were not good enough to carry it—sent a man over with it; and he asked me if I would correspond with this gentleman whose name was signed at the bottom of this paper. Well, I says, I don't know; I would like to read it first and see. I read it, and I says, well, I guess I will correspond with him, but I am a little busy just now. Our election for mayor comes off on Monday, and I am running for councilman on the Democratic ticket, if God will forgive me.

Mr. LITTLEFIELD. Were you elected?

Mr. COCHRANE. No, sir; I was not.

The CHAIRMAN. How will He forgive you then?

Mr. COCHRANE. God knows; I don't.

Mr. GOMPERS. Will it be interrupting the gentleman—

Mr. COCHRANE. Give me a show; I gave it to you.

The CHAIRMAN. If it does not interrupt him, go ahead.

Mr. GOMPERS. In signing that credential for Mr. William H. Donnell, you said that you called a few together. Do you know that this credential says:

This is to certify that the bearer, William H. Donnell, is instructed by Lodge 168 of the B. of B. M. and I. S. B. of A. to act for them and to represent local Lodge 168 of Bath, Me., before the Committee on Pilotage and Merchant Marine, bills representing four hundred men.

Mr. COCHRANE. You know we always do a little more than we state—

Mr. GOMPERS. Now let me say—

Mr. COCHRANE. Just a moment. I just told you where Lodge 168 was, and these are men from 168. That is all there is to it.

Mr. HINSHAW. How did you happen to come; who was the one that informed you about this legislation pending here?

Mr. COCHRANE. I read a little once in awhile.

Mr. HINSHAW. You saw it in the papers, and you just came on account of that?

Mr. COCHRANE. No; I was sent here.

Mr. HINSHAW. By whom?

Mr. COCHRANE. Our own people were here, looking for all they could get out of it.

Mr. HINSHAW. Did anybody write to them to get them to send somebody here?

Mr. COCHRANE. I told you how I got here. I work mostly by piecework, a subcontractor. I am more or less in Baltimore since I came to this country, and I call that home; my trunk is there. I occasionally drop up to Baltimore.

Mr. WILSON. How could you vote in Bath, Me.

Mr. COCHRANE. I have been there three years.

Mr. WILSON. You say your home is in Baltimore?

Mr. COCHRANE. I was there ten years; what I call home. When there is any work in Baltimore I always come back, and I would come back to-morrow if there was work in Baltimore, because it is the best place in the country. I have been away about three years, and I have always got a place.

Mr. SPIGHT. You were criticising Mr. Gompers just now for criticising Mr. McNeil in his absence. Isn't it a fact that they criticised Mr. Gompers in his absence?

Mr. COCHRANE. I don't believe they did.

Mr. GOMPERS. You will remember that I said before this meeting this morning that the secretary of the committee called your name—

Mr. BIRDSALL. This doesn't shed much light on this subject that we have under discussion here.

The CHAIRMAN. There is nothing in this of any importance.

Mr. COCHRANE. I said in regard to this letter, that is the only thing that I am here for. I said that I received a letter from Stewart Reed in here, asking for information, and that he did not show up to give me that information. These gentlemen here are insinuating that I was lying, and he got to Mr. Gompers between the morning and afternoon sessions, and Mr. Gompers denied it, because he said, standing here, that he never gave anybody any authority to write me before.

There was a friend of mine telephoned to him to see if he could get in communication, and he found the secretary, or somebody. I wrote and told him I had called a meeting for Tuesday night. Perhaps I was

misinformed, but I would like to have a little light. His telephone message was telling the same thing—to go right there and see to it. I have never seen anybody in Bath in three years about this. I have never had any answer to this letter, and had not heard a word until this morning.

Mr. GOULDEN. What is the date of that letter?

Mr. COCHRANE. March 2, 1906. I never heard a word. When I came up here I got the lie both from this gentleman and Mr. Gompers. That is about the root of my argument.

Mr. GOMPERS. Mr. Stewart Reed is here, and I shall ask five minutes for him.

The CHAIRMAN. All right; but these are purely personal matters.

STATEMENT OF STEWART REED.

Mr. REED. A simple statement of what took place. As stated by Mr. Gompers, I proceeded to Rockland with two matters to attend to, one in Rockland and one in Bath. I immediately sent one of our organizers, Mr. W. H. Roberts, to investigate in Bath, with a letter to Mr. Smith and letter to Mr. Cochrane, asking for the information. Mr. Roberts returned and told me that both Mr. Cochrane and Mr. Smith had informed him that there was no boilermakers' union in Bath. On Saturday I received a letter from Joseph A. Smith that confirmed the report of our special organizer that there was no union in Bath. On Sunday afternoon it became known, through a meeting held in Rockland, that I had the knowledge that there was no union in Bath in my possession in writing. And the friends of Mr. Donnell in Bath immediately telephoned Mr. Donnell telling him that I had this information in my possession, and at 11 o'clock on Sunday night a letter, which I have in my possession, and can produce before this committee at another time, showing that this letter was posted at 11 o'clock at night at Bath came, telling me there would be a meeting in Bath on Tuesday night.

Well, does Mr. Cochrane say that he called together a few of his men? That is positive, according to the statements made by the local men and by the international secretary of the boilermakers union. There has been no union in Bath for over a year, and yet Mr. Cochrane signs his name, not as president of three or four men that he called together—does he imagine that that would be legitimate—but he signs his name as president of Local 168 of the Boilermakers and Iron Shipbuilders, with 400 members. We found out positively that there was no union there; but Mr. Cochrane again, according to my information, called three or four men to hold a meeting on Tuesday night after I had been informed that there was no union. I found out that this meeting was held. But if you gentlemen will read this report, you will find out that the word "union" does not appear in the presentation of the meeting from beginning to end. They have been careful to eliminate any reference to the word "union" and insert workmen.

The address is made by Mr. Plummer, a gentleman whom you all know. I had nothing to do with a meeting of shipowners or citizens, and did not attend. The only meeting I could attend was the meeting I called for, Local 168 of the Brotherhood of Iron Shipbuilders of Bath, Me. That union had gone out of existence over a year before, and

could not hold a meeting. Any attempt on the part of Mr. Cochrane or any other man working in Bath to call a meeting under the auspices of that organization was but to deceive the public and the working people of Bath. The matter is clear; it is not necessary to make any further remarks other than this: Mr. Cochrane did not then and does not now represent Local No. 168 of the Brotherhood of Iron Shipbuilders and Boilermakers. There is no such union to represent. His presence is a false pretense, and he occupies a false position here. He can not show documents; statistics from the international organization he purports to represent condemn him. I question if he can show a union card. Yet he comes here telling you that he is president of the Bath union, when there is no such union. I say again any man that tells you there is any such union is condemned by his own associates in Bath.

Mr. COCHRANE. All I have got to say is that I told you there was no union; that I represented the shipbuilding boys of Bath. Will you please ask the gentleman to read who signed the names on that piece of paper and say whether we are connected with shipbuilding? They are not like the Cigar Makers' Union, where they have only two iron workers on the committee. The executive committee of the Federation of Labor only runs two iron workers, an engineer and a molder, which is only a side issue; and they come here and tell me what we shall do, these cigar makers and paper hangers and others that haven't a trade at all.

Mr. GOMPERS. The American Federation of Labor is composed of one hundred and twenty-two national and international unions. Among them we read the names of the boiler makers and shipbuilders, the blacksmiths, the Brotherhood of Blacksmiths, carpenters, ship carpenters, joiners, chain makers, the Amalgamated Association of Iron and Steel Workers, the Brotherhood of Electrical Workers, elevator constructors, steam engineers, and marine engineers. Firemen, seamen—of course they don't construct a ship. Freight handlers, International Association of Machinists covering all the branches of the machinery trade. The Iron Molders of North America, painters, decorators, paper hangers, polishers of hard wood, amalgamated woodworkers who are doing all the furniture work, hard-wood work—

The CHAIRMAN. You are reading now the members of the Federation of Labor, as I understand it.

Mr. GOMPERS. Organizations of the different trades.

Mr. COCHRANE. I said the executive committee. I know how many are in them. They would not be called the Federation of Labor if you hadn't them. You have to have those men to make the Federation.

The CHAIRMAN. I hope we will get through pretty soon.

Mr. GOMPERS. Those are some that I tried to select out of a book that I have in my hand.

Mr. LITTLEFIELD. Is that up to date?

Mr. GOMPERS. March 16, 1906.

Mr. LITTLEFIELD. That gives the organizations that are affiliated with you up to date?

Mr. GOMPERS. Yes, sir.

Mr. LITTLEFIELD. Will you leave that with us?

Mr. GOMPERS. Yes, sir. Of course, I don't want to get into a personal controversy between Mr. Cochrane and myself, but I ought to

say this, that I did know that Mr. Cochrane was present before this meeting happened. You will notice that I rather took a greater pleasure in referring to Mr. Cochrane than I did Mr. McNeil, because Mr. Cochrane was present and Mr. McNeil was not present.

Mr. COCHRANE. After I got on my feet.

Mr. GOMPERS. I want to say this, that if Mr. Cochrane comes here and says that that is his view, I don't care whether his shipmates have paid for his coming here, whether he has paid for it out of his own pocket, or whether some private interests have done so, it is immaterial. I say that I don't think it is fair to you that a man shall come here and leave the impression that he speaks in the name of labor and hold that as against the expressions of men who come here by direction and authority of labor to speak in their name. That is the difference that I want to state.

Mr. HINSHAW. I think that is information the committee is entitled to have.

Mr. GOMPERS. I have no feeling toward Mr. Cochrane or Mr. McNeil or any other man. I don't think there is a man in the world for whom I really have any ill will, but I will fight against any misrepresentation, and I will fight the best fight I can make for what I believe to be right.

Adjourned at 1.10 p. m.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,

Tuesday, April 10, 1906.

The committee this day met. Hon. E. S. Minor in the chair.

Mr. MINOR. We have with us this morning two shipbuilders, one from New London, Conn., and one from Philadelphia, Pa.

We have under consideration the shipping bill, so-called, and we have had a number of hearings and have been in session several days. We have heard opponents of the bill and we have heard the laboring men, and now it was thought best to secure you gentlemen to come here and give us some ideas from the shipbuilders' standpoint. Anything you may have in mind touching this matter we would be glad to hear.

STATEMENT OF MR. CHARLES R. HANSCOM, OF NEW LONDON, CONN.

Mr. HANSCOM. The shipbuilders are not asking any special favor. They merely want to have an equal chance with every other industry of the country. Every other industry has had and now has the benefits of our protection laws except the shipbuilder and the shipowner. The prices of all materials entering into the construction of a ship, also the prices of labor for building a ship, are regulated by the protective tariff, the ship complete is brought in competition with subsidized foreign ships built by much cheaper labor than we can secure in this country, and consequently we do not have a fair or equal chance with other industries of this country and with shipbuilders of other nations. It is utterly impossible for us to compete with any expectation of success under the existing conditions.

Mr. HINSHAW. Are the cargo-carrying vessels built there subsidized?

Mr. HANSCOM. I think they are all subsidized more or less in different ways.

Mr. HINSHAW. Do you know how much the subsidy is on cargo-carrying vessels of England.

Mr. HANSCOM. I do not know.

Mr. HINSHAW. You spoke about the materials that enter into the construction of ships being protected.

Mr. HANSCOM. Yes, sir.

Mr. HINSHAW. Do you mean the materials that are used in building vessels for the foreign trade?

Mr. HANSCOM. There is a rebate on that material, but there are very few owners who want a vessel that has to be kept in one particular trade.

Mr. HINSHAW. Then you mean that the fact there is not any tariff upon materials used in building vessels for the foreign trade does not help you any?

Mr. HANSCOM. Not to any great extent.

Mr. HINSHAW. Do you know of any shipyards that are using materials from abroad shipped in free of duty and constructing vessels for the foreign trade?

Mr. HANSCOM. I do not know of any at the present time.

Mr. HINSHAW. Does the fact that the coastwise laws give a practical monopoly to American-built vessels for the coastwise trade materially assist the shipbuilders in the manufacture of ships for that trade?

Mr. HANSCOM. For that trade; yes, sir.

Mr. HINSHAW. That is to say, you can sell a vessel for the coastwise trade at a better price by reason of the monopolistic features of the coastwise laws?

Mr. HANSCOM. Yes, sir.

Mr. BIRDSALL. What is your name?

Mr. HANSCOM. Charles R. Hanscom.

Mr. BIRDSALL. What is the title of your company?

Mr. HANSCOM. The Eastern Shipbuilding Company. We built the large vessels for Mr. James J. Hill.

Mr. BIRDSALL. You are connected with the firm that constructed the large vessels for Mr. Hill?

Mr. HANSCOM. Yes, sir.

Mr. BIRDSALL. Are you so familiar with the construction of a ship that you can give us the different items of cost that enter into its construction, approximately?

Mr. HANSCOM. I could give you the items of cost if I had the data before me. I can not give you that information offhand.

Mr. BIRDSALL. I mean the different materials that enter into the construction of a ship. Are you sufficiently posted so that you can give us the approximate cost? Of course the exact amount would depend upon circumstances. What I would like to arrive at, if I can, is the cost of construction of a ship, the cost of the materials that compose it?

Mr. HANSCOM. The cost of materials and labor separately?

Mr. BIRDSALL. Yes, sir. Suppose we take, for instance, a 5,000 ton steamer.

Mr. SPIGHT. Suppose you commence by stating what per cent of that is for the steel and iron that enters into it?

Mr. HANSCOM. I do not believe I have figures that are very reliable

in my mind. I would be glad to send those figures to you if that would be of any benefit. I do not know that I can give exactly the cost of the materials and labor. The cost of the materials that enter into the construction of a ship depend somewhat upon how much material you have and how much you have to buy, pumps and such things. The price increases in proportion to the amount of labor.

Mr. BIRDSALL. Whether you buy them or manufacture them yourself it is substantially the same thing?

Mr. HANSCOM. No, sir; they would come under the manufacturing output. The cost of the materials is nearly about one-half the cost of the ship.

Mr. BIRDSALL. Were the large ships built for Mr. Hill built for the foreign or domestic trade?

Mr. HANSCOM. They were built for the foreign trade. They were built of domestic material. No other material entered into their construction. They are very large and hardly suitable for use in the coast-wise trade.

Mr. BIRDSALL. How was it that you used domestic materials in the construction of those ships?

Mr. HANSCOM. Mr. Hill desired it to be used.

Mr. BIRDSALL. Was that a part of the contract?

Mr. HANSCOM. Yes, sir.

Mr. BIRDSALL. As I understand, all the raw material which enters into ships constructed for the foreign trade is admitted free of any duty; that is to say, you have to pay the duty in the first instance and then upon proof that it has been used in the construction of a ship it is rebated or paid back?

Mr. HANSCOM. Yes, sir.

Mr. BIRDSALL. Have you built any ships for the foreign trade?

Mr. HANSCOM. We built those vessels for the foreign trade.

Mr. BIRDSALL. Are those the only ships?

Mr. HANSCOM. Yes, sir.

Mr. BIRDSALL. Is there any difference in the cost of domestic and foreign materials?

Mr. HANSCOM. The cost of domestic material at the time we bought for the Hill steamers was higher than the cost of foreign material, very much higher.

Mr. HUMPHREY. What per cent?

Mr. HANSCOM. A third more. If I recollect aright, it was about as 95 cents a hundred pounds is to \$1.65 a hundred pounds.

Mr. HUMPHREY. Do you mean to say by that that you can buy the foreign material and pay the freight on it at a third less?

Mr. HANSCOM. Not pay the freight.

Mr. SPIGHT. What would be the difference when the freight is paid?

Mr. HANSCOM. I hardly know. That depends on the rate of freight which fluctuates all the time.

Mr. GOULDEN. Approximately?

Mr. HANSCOM. You would have to pay the duty on the foreign material.

Mr. GOULDEN. But you get the rebate, so you can not count that.

Mr. GOULDER. At what period do you base those figures?

Mr. HANSCOM. I base those figures on two or three years ago.

Mr. GOULDER. Not at the present time?

Mr. HANSCOM. No, sir.

Mr. WILSON. Let us have your best information on two or three years ago, the latest information you have on the subject.

Mr. HANSCOM. On the price of materials?

Mr. WILSON. Yes, sir. Eliminate the freight costs.

Mr. HANSCOM. The materials were then sold in foreign countries at 95 cents per hundred pounds and in this country at about \$1.65 per hundred pounds.

Mr. HINSHAW. Steel?

Mr. HANSCOM. Yes, sir; shapes, plates, etc.

Mr. WILSON. Have you some idea of what the cost of transportation would have been at that time?

Mr. HANSCOM. No, sir.

Mr. WILSON. You would have some idea. We do not ask you to state the exact figures. Give us your best judgment in the matter.

Mr. HANSCOM. I do not know what the rate was.

Mr. WILSON. What would be the rate to-day?

Mr. HANSCOM. I do not know.

Mr. WILSON. You are not familiar with the rate?

Mr. HANSCOM. No, sir.

Mr. WILSON. You have nothing to do with the transportation?

Mr. HANSCOM. I never had an occasion to look it up. At the time we received a proposition from abroad for this material it would have cost about the same as domestic material. There was a little difference, to pay the freight and deliver the material f. o. b. our works.

Mr. WILSON. Then the freight was quite an item?

Mr. HANSCOM. Yes, sir; it was quite an item. What it was, I do not know.

Mr. HINSHAW. Do I understand that at that time the foreign materials for use in the foreign-going ships that Mr. Hill built would have cost you about the same?

Mr. HANSCOM. Very nearly the same, adding the freight, which is a very large expense, the material would have had to be unloaded in New York and then transferred to New London.

Mr. HINSHAW. Adding all those things, but without adding the duty?

Mr. HANSCOM. Without adding the duty.

Mr. SPIGHT. Then the freight would have been about one-third of the cost of the materials?

Mr. HANSCOM. I think not.

Mr. WILSON. As a matter of fact, according to your statement, that is about the difference?

Mr. HANSCOM. I should say that would be very near it after adding cost of reshipment at New York, etc.

Mr. HINSHAW. Do you have any way of ascertaining what it would be to a certainty?

Mr. HANSCOM. I can secure that information.

Mr. HINSHAW. Can you furnish it to the committee?

Mr. HANSCOM. Yes, sir; I will be glad to send it to the committee.

Mr. GOULDEN. What is the cost per ton of building an ordinary cargo vessel usually denominated "tramp" for freight, the registered tonnage?

Mr. HANSCOM. It very much depends upon the speed of the steamer.

Mr. GOULDEN. A usual cargo vessel.

Mr. HANSCOM. Carrying any passengers or not?

Mr. GOULDEN. Purely cargo, without carrying any passengers; the same as the tramps.

Mr. HANSCOM. I do not know exactly.

Mr. GOULDEN. Could you give us the estimate of the cost of a sailing vessel?

Mr. HANSCOM. I should say it would cost somewhere about \$40 a ton.

Mr. GOULDEN. Do not the shipbuilders of this country have an absolute monopoly on the coastwise and lake trade?

Mr. HANSCOM. They do as regards the lake trade, and I think they do as regards the coastwise trade.

Mr. GOULDEN. Can anyone else build a coastwise vessel except an American?

Mr. HANSCOM. No, sir.

Mr. WILSON. What is your position?

Mr. HANSCOM. I am president. I am not as familiar with the detail figures as I used to be.

Mr. WILSON. You do not take any active part in the general management?

Mr. HANSCOM. Yes, sir.

Mr. WILSON. And you figure on the cost of the construction of the ships?

Mr. HANSCOM. Yes, sir.

Mr. MINOR. Have you any idea of the difference in the cost of the construction of ships between this country and Europe, say on the Clyde, what percentage of difference is there in the cost?

Mr. HANSCOM. I think about 40 per cent. I may be wrong on that. I am hardly prepared to answer those questions just now.

Mr. MINOR. You built the *Dakota* and the *Minnesota* for Mr. Hill?

Mr. HANSCOM. Yes, sir.

Mr. MINOR. Can you tell the committee what it would cost to have constructed those ships abroad and what it did cost to construct them at home? I think at the time or just before they were launched—I was at the launching of the last one—some statements were published in reference to the difference in cost, but it is out of my mind just now. I think you people had those figures. I think you worked them up?

Mr. HANSCOM. I do not know what they would cost abroad. There is everything in those vessels that is in the modern steamers. When we commenced to build those vessels we intended to make them cargo vessels, but when we finished them they were magnificent passenger steamers, with all the modern improvements, with electrical apparatus for everything, even electric heating and hoisting apparatus. They were also steered by electricity.

Mr. LITTLEFIELD. And that increased the contract price a great deal?

Mr. HANSCOM. Yes, sir; it probably increased the contract price anywhere from 25 to 33 per cent.

Mr. LITTLEFIELD. The original contract price would be no criterion on which to base a comparison with ships built elsewhere?

Mr. HANSCOM. No, sir.

Mr. LITTLEFIELD. Your company built those two ships?

Mr. HANSCOM. Yes, sir. They are the largest ships ever built in

this country, and we were the pioneers in large-ship construction. There is a great difference between that class of vessel and a 5,000-ton vessel.

Mr. LITTLEFIELD. You had to have an extraordinarily large plant?

Mr. HANSCOM. Yes, sir; and it took a great deal of money.

Mr. GOULDEN. When were those vessels built?

Mr. HANSCOM. The last was delivered about twelve months ago. The plates of the ordinary 10,000-ton vessel can be bolted together so that they are ready to rivet. In the case of these large vessels we had sometimes to rivet through 5 inches of material, consisting of five separate plates, and it was utterly impossible for any bolt to hold, therefore we had to drive alternate rivets which had to be cut out and replaced with new rivets. This added very materially to the cost of the vessel. The uninitiated have not thought of this expense.

Mr. LITTLEFIELD. In other words, it was an experiment and a pretty expensive one?

Mr. HANSCOM. Yes, sir; somewhat.

Mr. WILSON. How large are those ships?

Mr. HANSCOM. The registered tonnage is nearly 21,000 tons, and the carrying capacity is about 28,000 tons.

Mr. WILSON. Each ship?

Mr. HANSCOM. Yes, sir. The displacement is nearly 40,000 tons.

Mr. SPIGHT. I understand you to say that this rebate on the foreign material in the construction of ships to engage in the foreign trade does not amount to much aid to the shipbuilding industry. What effect would it have upon the shipbuilding industry if the duty were entirely removed from all materials entering into the construction of any ship, whether in the coastwise trade or in the foreign trade?

Mr. HANSCOM. I think that probably then the cheap labor of Europe would build all our coastwise vessels. We could not compete with the foreigner.

Mr. LITTLEFIELD. You could not compete with them?

Mr. HANSCOM. No, sir.

Mr. LITTLEFIELD. Do you know Mr. Carlisle, the managing director of Harland & Wolff?

Mr. HANSCOM. I know of him. I do not recollect meeting him.

Mr. LITTLEFIELD. I met Mr. Carlisle last August and asked him how it was that Harland & Wolff could build ships cheaper than we could, and the only reason he could give me was the disparity in wages. He said they could hire labor there cheaper than we could here. I also asked the foreman, and he told me the same thing.

Mr. HANSCOM. Yes, sir; that is correct.

Mr. BIRDSALL. Do you think that would make a difference of 40 per cent in a 5,000-ton ship?

Mr. HANSCOM. Yes, sir; that and the price of materials.

Mr. SPIGHT. Take the labor conditions; what would be the difference?

Mr. HANSCOM. Twenty-five per cent.

Mr. LITTLEFIELD. Labor is a very large factor?

Mr. HANSCOM. Yes, sir.

Mr. HINSHAW. How large a factor is it in the building of a tramp?

Mr. HANSCOM. Nearly two-thirds.

Mr. LITTLEFIELD. Two-thirds of the whole cost will be the labor cost?

Mr. HANSCOM. Yes, sir.

Mr. HINSHAW. Take a tramp steamer; of the remaining one-third how much would the steel cost?

Mr. HANSCOM. It is most all steel.

Mr. BIRDSALL. You can buy steel here just as cheaply as the ship-builder on the Clyde can?

Mr. HANSCOM. No, sir.

Mr. BIRDSALL. What is the difference, if any; what per cent?

Mr. HANSCOM. I do not know what the price is to-day.

Mr. BIRDSALL. Can you not give it to us approximately?

Mr. HANSCOM. At one time steel was less than a dollar per 100 pounds over there when we were paying more than \$1.50 per 100 pounds here.

Mr. BIRDSALL. Do you know what the condition is here?

Mr. HANSCOM. No, sir.

Mr. WILSON. What do you mean by "less than one dollar?"

Mr. HANSCOM. I mean less than a cent a pound.

Mr. HINSHAW. You said 95 cents?

Mr. HANSCOM. Yes, sir; for 100 pounds.

Mr. LITTLEFIELD. That would be \$0.0095 a pound?

Mr. HANSCOM. Yes, sir.

Mr. WILSON. About \$19 a ton on the Clyde?

Mr. HANSCOM. Nineteen dollars or \$20 on the Clyde, while it is worth from \$32 to \$38 a ton here.

Mr. WILSON. Do you mean they buy steel from this country at that price?

Mr. HANSCOM. I think it has been shipped over there and landed there at that price.

Mr. HINSHAW. How many years ago?

Mr. HANSCOM. Three or four years ago. All I know about that is from the newspapers.

Mr. WILSON. Were you ever interested in any of the foreign ship-yards?

Mr. HANSCOM. I have visited several of them.

Mr. WILSON. But you never had any interest in them?

Mr. HANSCOM. No, sir.

Mr. WILSON. Have you gone into them and examined their ship-building plants?

Mr. HANSCOM. Yes, sir. I have been through several of them. I have never visited the yard of Harland & Wolff.

Mr. LITTLEFIELD. Any suggestions which you have made in relation to the sale of steel abroad cheaper than at home was based on newspaper reports?

Mr. HANSCOM. Yes, sir.

Mr. LITTLEFIELD. And if they were reliable that would make reliable information, and if they were not reliable that would not be worth anything?

Mr. HANSCOM. Yes, sir.

Mr. BIRDSALL. As a practical shipbuilder you have to enter into competition with the shipyards on the Clyde, at Belfast, and everywhere else?

Mr. HANSCOM. The ship is placed in competition when it is completed, but we can not enter into competition because it is all one-sided.

Mr. BIRDSALL. That seems to be the general statement, but still we

have no specific facts on which that judgment is based. Suppose you give us the cost of a 5,000-ton steamer and show the disadvantages in materials and throughout the construction of a ship that you labor under in comparison with a foreign shipbuilder?

Mr. HANSCOM. I do not think I could give it to you accurately enough. I can furnish such a statement.

Mr. LITTLEFIELD. I will give you the exact figures. The New London Shipbuilding Company is a new concern?

Mr. HANSCOM. Yes, sir.

Mr. LITTLEFIELD. You practically organized that company?

Mr. HANSCOM. Yes, sir.

Mr. LITTLEFIELD. You got together the capital?

Mr. HANSCOM. Yes, sir.

Mr. LITTLEFIELD. And have been the general manager or president?

Mr. HANSCOM. President and general manager.

Mr. LITTLEFIELD. And before that you were connected with the Bath Iron Works?

Mr. HANSCOM. I was the general superintendent there for ten years.

Mr. LITTLEFIELD. Before that where were you employed?

Mr. HANSCOM. With the Advisory Board of the Navy Department and the Bureau of Construction, Navy Department.

Mr. LITTLEFIELD. So you have been engaged in the construction of ships all your life?

Mr. HANSCOM. Yes, sir; ever since I was a small boy.

Mr. LITTLEFIELD. You did a great deal of the practical work for the Bath Iron Works?

Mr. HANSCOM. Yes, sir; prepared all designs of new vessels, estimated cost of same, and directed their construction.

Mr. LITTLEFIELD. You were there during the development of the work?

Mr. HANSCOM. We built the works. No ships were built until I went there.

Mr. LITTLEFIELD. You worked under Gen. Thomas W. Hyde, the father of the present owner?

Mr. HANSCOM. Yes, sir. I was General Hyde's chief assistant and the shipbuilder of the company.

Mr. SPIGHT. Do you know Mr. Dickey, the superintendent of the Union Iron Works at San Francisco?

Mr. HANSCOM. Yes, sir.

Mr. SPIGHT. Would you regard a statement made by him reliable, within his own knowledge?

Mr. HANSCOM. So far as I know.

Mr. SPIGHT. If he should make a statement or had made a statement that he had seen, himself, in a foreign shipyard American steel shipped from the Carnegie Works and sold there, laid down there at \$10 or \$15 less than the same material was sold to the American shipbuilder, would you regard it as reliable?

Mr. HANSCOM. I would.

Mr. SPIGHT. He has made that statement before the Commission.

Mr. LITTLEFIELD. That is the statement he made when you were out in San Francisco?

Mr. SPIGHT. Yes, sir.

Mr. LITTLEFIELD. To-morrow we will have Judge Gary, who is the president of the United States Steel Corporation, here and he will give us all the information there is in regard to that.

Mr. BIRDSALL. In the construction of the ships for Mr. Hill were the boilers and all the machinery purchased here—were they domestic?

Mr. HANSCOM. They were all purchased in this country and were of domestic manufacture.

Mr. BIRDSALL. All the nautical instruments?

Mr. HANSCOM. Yes, sir; all of them. The Lord Kelvin compass was used in one or two cases. They were all bought from Bliss in New York. The other compasses may have been foreign patterns, but I think they were made here.

Mr. BIRDSALL. They were bought at American prices?

Mr. HANSCOM. Yes, sir.

Mr. LITTLEFIELD. Who did that purchasing?

Mr. HANSCOM. I approved of all purchases.

Mr. LITTLEFIELD. It was done under your direction?

Mr. HANSCOM. Yes, sir.

Mr. LITTLEFIELD. Was all the work on those ships done under contract with Mr. Hill?

Mr. HANSCOM. Yes, sir.

Mr. LITTLEFIELD. Are those ships—I only saw one of them—I saw her on the ways—are they as elaborately finished and furnished as a first-class passenger liner?

Mr. HANSCOM. Yes, sir. In some respects much more so.

Mr. LITTLEFIELD. Those were additional features involved in the construction from time to time?

Mr. HANSCOM. Yes, sir. They are even heated by electricity.

Mr. WILSON. The elaborate finishing of them was of course a considerable portion of the cost?

Mr. HANSCOM. Yes, sir. It added to the cost very materially.

Mr. LITTLEFIELD. When you come to the elaborate mechanism, that requires the highest class of skill?

Mr. HANSCOM. Yes, sir.

Mr. LITTLEFIELD. And can not we come nearer competing in that class of work than in the rough work?

Mr. HANSCOM. Yes, sir; in war vessels and yachts.

Mr. LITTLEFIELD. There is not so much difference in the labor cost on a battle ship, which, I suppose, represents the finest type of mechanical construction?

Mr. HANSCOM. Yes, sir.

Mr. LITTLEFIELD. And there the mechanism and the mechanical skill represent the higher degree of development?

Mr. HANSCOM. In some respects.

Mr. LITTLEFIELD. As a whole?

Mr. HANSCOM. Of course there are a great many things we have in a merchant vessel which they do not have in a battleship.

Mr. SPIGHT. How many hours constitute a day's labor in your yard?

Mr. HANSCOM. Ten hours.

Mr. SPIGHT. What is the day's length in the foreign shipyard?

Mr. HANSCOM. I think it is the same; I am not sure.

Mr. HINSHAW. How much do you pay shipbuilders in your yard?

Mr. HANSCOM. What do you mean by "shipbuilders?"

Mr. HINSHAW. The fellows that do the hard work, the riveting.

Mr. HANSCOM. The riveters make all the way from \$2 to \$4.50 per day; it is task work.

Mr. HINSHAW. It is piecework?

Mr. HANSCOM. Partially piecework; but it is a task. They drive so many rivets in a certain time, and if they drive more than that we give them a premium.

Mr. HINSHAW. What other class of workmen have you?

Mr. HANSCOM. The fitters and the platers.

Mr. HINSHAW. What do they get?

Mr. HANSCOM. From \$2.50 to \$3.50 a day.

Mr. HINSHAW. And the carpenters?

Mr. HANSCOM. About \$3 a day.

Mr. HINSHAW. What other class of workmen are there?

Mr. HANSCOM. The joiners, machinists, and plumbers.

Mr. HINSHAW. What do they get?

Mr. HANSCOM. Every known trade is brought in use.

Mr. HINSHAW. What are the wages?

Mr. HANSCOM. Anywhere from \$2.50 to \$3.50 a day.

Mr. HINSHAW. How do your wages compare for the same class of work with the wages of the English or Scotch workmen?

Mr. HANSCOM. I should say they were anywhere from 40 to 70 per cent higher in this country.

Mr. HINSHAW. You know that from personal information?

Mr. HANSCOM. Yes, sir; in a good many cases.

Mr. HINSHAW. You have visited the yards over there?

Mr. HANSCOM. Yes, sir.

Mr. HINSHAW. What do they usually get on the Clyde for the same class of work?

Mr. HANSCOM. The fitters get from \$1.75 to \$2.25 a day, perhaps \$2.50 in some cases.

Mr. HINSHAW. Mr. Gompers was here yesterday and he said that the American workman, as I remember his language, could compete successfully with the foreign workman, although the wages paid here were higher, the efficiency of the American workman was so much greater than the foreign workman that he could compete successfully with him on any class of work.

Mr. HANSCOM. I think he was in error in that. In the first place a great many of the men that we have in our shipyards, shipfitters and riveters are foreigners, they are from Scotch and English shipyards.

Mr. LITTLEFIELD. And they come over here to get the higher wages?

Mr. HANSCOM. Yes, sir; and they include a very large percentage of our labor.

Mr. HINSHAW. Sixty or 70 per cent of the workmen in your yard are foreigners?

Mr. HANSCOM. The class of ironworkers more than that; but the machinists, plumbers, carpenters, and joiners are nearly all Americans. The most of the ironworkers, as we call them, are foreigners.

Mr. SHERLEY. What proportion do they bear to the labor supply generally?

Mr. LITTLEFIELD. Over the country at large?

Mr. SHERLEY. In this business.

Mr. HANSCOM. More than one-half. It depends upon the class of vessels under construction.

Mr. HINSHAW. Mr. Gompers further said that even the foreign laborer when he came over here became imbued with the American spirit and did more work in the same time than he did across the water.

Mr. HANSCOM. I think most of the shipbuilders would be very glad if that was the case.

Mr. BIRDSALL. What is the ruling price for draftsmen in your yard?

Mr. HANSCOM. It varies from \$12 to \$45 a week.

Mr. BIRDSALL. And the pattern makers?

Mr. HANSCOM. From \$2.75 to \$3.50 a day.

Mr. BIRDSALL. And the blacksmiths?

Mr. HANSCOM. About the same.

Mr. BIRDSALL. And the machinists?

Mr. HANSCOM. From \$2.50 to \$3 a day. Occasionally we have an extra man to whom we give a little more.

Mr. BIRDSALL. Take it in the boiler shop.

Mr. HANSCOM. The wages are about \$3 a day; from \$2.50 up.

Mr. BIRDSALL. What are the wages of the joiners in the joiner shop?

Mr. HANSCOM. Most of our joiners get \$2.75 a day. Occasionally we pay one \$3 a day.

Mr. BIRDSALL. What are the wages of the ship carpenters and calkers?

Mr. HANSCOM. Anywhere from \$2.50 to \$3.25 a day.

Mr. BIRDSALL. What are the wages of the shipfitters?

Mr. HANSCOM. That is what I spoke about a little while ago; anywhere from \$2.50 to \$3.50 a day.

Mr. BIRDSALL. And what are the wages of the riveters?

Mr. HANSCOM. They make on task work from \$2 up to \$4.50 a day.

Mr. LITTLEFIELD. When you say "task work," you mean piecework?

Mr. HANSCOM. It is a little different. We require them to drive so many rivets within a certain time, and if they drive more we pay them a premium.

Mr. BIRDSALL. I notice a class here described as "drillers, chippers, and calkers." What are their wages?

Mr. HANSCOM. We pay drillers about \$2 a day to \$2.25.

Mr. BIRDSALL. What are the wages of riggers and sailmakers?

Mr. HANSCOM. We pay riggers \$3 a day. We have no sailmakers.

Mr. BIRDSALL. And what are the wages of the coppersmiths?

Mr. HANSCOM. About \$4 a day. Very much depends on the man.

Mr. BIRDSALL. I am speaking now only of the general average.

Mr. HANSCOM. Yes, sir.

Mr. LITTLEFIELD. What have you under construction in your yard to-day?

Mr. HANSCOM. Nothing whatever; we are doing nothing, but will open the works immediately upon the passage of the bill now under discussion.

Mr. LITTLEFIELD. How long has your yard been in that condition?

Mr. HANSCOM. Since we finished the *Dakota*.

Mr. LITTLEFIELD. When was that?

Mr. HANSCOM. About one year ago.

Mr. LITTLEFIELD. What have you constructed in your yard since you have been in operation as a business concern?

Mr. HANSCOM. We have built some car floats and we have repaired several yachts and other vessels.

Mr. LITTLEFIELD. What has been the aggregate of your building?

Mr. HANSCOM. The *Dakota* and *Minnesota*.

Mr. LITTLEFIELD. That is the great bulk of the work you have done since the company was incorporated?

Mr. HANSCOM. Yes, sir.

Mr. LITTLEFIELD. How much of an investment does your plant represent, in round numbers?

Mr. HANSCOM. About \$500,000. Our plant is rather a cheap plant.

Mr. LITTLEFIELD. But such as it is it represents about \$500,000?

Mr. HANSCOM. Yes, sir.

Mr. WILSON. Is that the capital stock or the money invested?

Mr. HANSCOM. The money invested and also the capital stock.

Mr. LITTLEFIELD. And your yard has been idle a year?

Mr. HANSCOM. Yes, sir.

Mr. HUMPHREY. Have you built any vessels except the Hill boats?

Mr. HANSCOM. Yes, sir; some car floats and some very small boats, and we have repaired several vessels.

Mr. LITTLEFIELD. The Hill boats represent about three-fourths of your work?

Mr. HANSCOM. Yes, sir; more than that.

Mr. LITTLEFIELD. Seven-eighths?

Mr. HANSCOM. Yes, sir.

Mr. SHERLEY. You do not consider that an increase of work would result in your being able to build ships as cheaply as they build them abroad?

Mr. HANSCOM. No, sir; but of course the more vessels we can build of the same type the cheaper we can build them. That is the advantage they have on the other side. Many of those yards confine themselves to a certain class of work and they can do it very much cheaper than we can.

Mr. SHERLEY. You do not consider that if you had sufficient demand to enable you to specialize and to build by pattern that you would be able with the existing difference in the price of labor to build as cheaply as they build abroad?

Mr. HANSCOM. No, sir.

Mr. SHERLEY. You do not think that what has occurred in other industries, like locomotive building, where the relative wage is just as far apart, would occur in your business?

Mr. HANSCOM. No, sir.

Mr. PATTERSON. Why not?

Mr. HANSCOM. We have to pay higher wages.

Mr. PATTERSON. Do not the locomotive makers have to pay higher wages also?

Mr. HANSCOM. Yes, sir.

Mr. PATTERSON. And do they not build the machines and ship them abroad in competition with the foreigners?

Mr. HANSCOM. I do not know but that they do in some cases.

Mr. PATTERSON. Why can not you compete as well as they can?

Mr. HANSCOM. That is only one class of labor. Most of that work is standardized and in shipbuilding you can not standardize to the same extent.

Mr. LITTLEFIELD. It is simply impossible to standardize shipbuilding to the extent that they can standardize locomotive building?

Mr. HANSCOM. Yes, sir.

Mr. PATTERSON. They do standardize shipbuilding in other countries?

Mr. HANSCOM. Certain types.

Mr. SHERLEY. Then you consider that, the wage scale remaining approximately as it is now, there is no future time when the American shipbuilder can hope to put a ship on the market, build a ship as cheaply as the foreigner?

Mr. HANSCOM. Not if we have to pay higher wages; and if the Americans have to pay higher for their potatoes and flour and everything else, I do not see how it is possible.

Mr. BIRDSALL. In a general way the construction of a ship is like the construction of a sewing machine; the material is worth about \$7 and the sewing machine costs about \$75—in other words, the great item is the cost of construction.

Mr. HANSCOM. Yes, sir.

Mr. BIRDSALL. The actual material in it forms a comparatively small percentage of the entire cost?

Mr. HANSCOM. Yes, sir.

Mr. WILSON. What was the cost of the Hill ships?

Mr. HANSCOM. I do not know that I ought to give that information.

Mr. WILSON. I presume it is public property; I have seen it stated in the papers.

Mr. HANSCOM. They cost more than \$5,000,000.

Mr. WILSON. Did they cost more than \$6,000,000.

Mr. HANSCOM. No, sir.

Mr. WILSON. They cost between \$5,000,000 and \$6,000,000?

Mr. HANSCOM. Yes, sir; or nearly \$3,000,000 each.

Mr. SHERLEY. How much labor-saving machinery is used in the making of the steel for shipbuilding, or is it mostly done by hand—that is, is most of the steel work in the construction of the ship necessarily hand labor or can a large part of it be done by machine?

Mr. HANSCOM. It is mostly done by hand.

Mr. HINSHAW. How do you figure, Mr. Hanscom, that you, as a shipbuilder, would receive any benefit from the present ship subsidy bill?

Mr. HANSCOM. I think it would increase the demand for ships and thereby the shipbuilder would have more chance to compete for work. It would put us on a more equal basis than is the case to-day. Perhaps the ship subsidy bill would not go as far as I might think it should.

Mr. HINSHAW. As far as you might want it to go another year from now?

Mr. HANSCOM. Not necessarily. I do not know as to that.

Mr. HINSHAW. Do you estimate that a shipowner could give you a better price for the ship you would build by reason of the subsidy he would get?

Mr. HANSCOM. Yes, sir.

Mr. HINSHAW. How much do you estimate would be the advance in the price that you could command?

Mr. HANSCOM. I suppose it would put us on a more equal footing with the foreigner.

Mr. SHERLEY. Would you sell except at a higher price than the foreigner?

Mr. HANSCOM. That would depend.

Mr. SHERLEY. In this case where you did sell you did get a higher price than the same ship would sell abroad?

Mr. HANSCOM. Yes, sir.

Mr. SHERLEY. So you think this bill would give you a still higher price than the ship abroad?

Mr. HANSCOM. No, not necessarily so.

Mr. HUMPHREY. These vessels of Mr. Hills cost more than you expected when you commenced to build them?

Mr. HANSCOM. Yes, sir; owing to additions and changes.

Mr. HUMPHREY. And Mr. Hill has publicly stated that he will never build another ship in America under present conditions?

Mr. HANSCOM. Yes, sir.

Mr. GOULDER. May I have the opportunity to present this matter about which Mr. Spight and Mr. Patterson and I had a little talk the other day; that is, I showed a clipping from a newspaper which happened to come in that the Mississippi Valley-Latin-American Convention had adopted resolutions indorsing the Gallinger bill and asking for its passage, and there was a suggestion that that was a recent institution. Now, Captain Spight, I have the letter head. I telegraphed to Mr. James W. Porch, of New Orleans. I telegraphed Mr. Porch because I have known him in connection with the National Board of Trade and the River and Harbor matters, and he is, perhaps, the only man I could telegraph to who is connected with those matters. There comes back a letter and on the letter head under the head "Organizations authorizing conference" there are the New Orleans Board of Trade; the New Orleans Cotton Exchange; the New Orleans Progressive Union; the New Orleans Stock Exchange; the Louisiana Sugar and Rice Exchange; the Mechanics, Dealers and Lumbermen's Exchange; the Real Estate Auction Exchange; the New Orleans Real Estate Exchange; the Merchants and Manufacturers' Association; the Wholesale Grocers' Association; the Public Belt Railroad Commission; the board of commissioners, port of New Orleans; the Orleans Levee Board, and the freight and transportation committee, New Orleans Board of Trade.

He sends with that this, which I would like to have go into the record. It is headed:

Part of resolutions adopted at the Mississippi Valley-Latin-American Convention at New Orleans, April 5, 6, and 7, 1906.

Be it resolved, That, believing the development of the American merchant marine will result in the stimulation of American trade, we heartily approve the bill introduced in Congress by Senator Gallinger for the rehabilitation of the American flag on the high seas and trust our Representatives in Congress will do everything in their power to give us relief, since it seems but natural that the means of conveyance for the shipment of the products of this country to the great markets of the world should be owned by ourselves.

I think the next is a good resolution, because I drafted it myself in the River and Harbor Congress:

Be it resolved, That as the improvement of internal waterways is coincident with the development of foreign trade the National Government, having assumed the improvement and control of rivers, harbors, and waterways of the country, and having unequivocally bound itself to discharge these obligations promptly by sound business methods, instead of appropriating for the purpose at uncertain intervals of two or three years, should put river and harbor bills on a par with other great appropriation bills by annual appropriation and direct all such work economically and continuously without the waste incident to intermittent effort.

Let me further put into the record, if you will indulge me, the names of the different cities and associations which were represented at the Mississippi Valley-Latin-American Convention at New Orleans on April 5, 6, and 7. These come from Mr. Porch, and I do not want to get into any controversy about credentials——

Mr. SPIGHT. Let me say before you pass from the New Orleans organizations, I do not know any of them; but I notice that they request their Senators and Representatives to support the Gallinger bill?

Mr. GOULDER. Yes, sir.

Mr. SPIGHT. Within my knowledge not one of the Representatives and Senators from the State of Louisiana has offered to support the bill, and they are presumed to know as much about the provisions of it as those gentlemen.

Mr. GOULDER. Mr. Ransdell was one of the speakers at this convention that adopted these resolutions.

Mr. LITTLEFIELD. There is no harm in their asking them to vote for it.

Mr. SPIGHT. No, sir; certainly not. But I am only stating what those men may know and what the Representatives and Senators do know.

Mr. GOULDER. Mr. Porch sends this list. These are the cities and bodies represented at the convention: Frankfort, Ky.; Nashville Board of Trade; Chattanooga Chamber of Commerce; Wisconsin. He does not say how Wisconsin was represented. Chamber of Commerce, Quincy, Ill.; Chicago, Ill.

Mr. WILSON. Does it say who was there from Chicago?

Mr. GOULDER. No, sir. I am giving you everything that is here.

Mr. SHERLEY. Of course you do not mean to imply that that necessarily carries the indorsement of the particular section. For instance, I notice Frankfort, Ky.?

Mr. GOULDER. You and I will just have to form our own conclusions. All I know about it is that I telegraphed asking who were represented and this comes back and it says "Frankfort, Ky." It does not say any commercial organization.

Mr. SHERLEY. I am perfectly willing to let the paper speak for itself, but your remark might create the impression that various sections were back of the bill.

Mr. GOULDER. I hope nobody will get that impression. I simply got the information from Mr. Porch and it speaks for itself. I know absolutely nothing beyond the facts. Cincinnati Chamber of Commerce; Columbus, Miss.; Meridian, Miss., Board of Trade; Belleville, Ill., Commercial Club; St. Louis Merchants Exchange; Latin American Club and Foreign Trade Association of St. Louis; Kansas City Board of Trade; Kansas City Commercial Club; Dallas, Tex., Commercial Club. Then without designation of any representation, Galveston, Tex., and Fort Worth, Tex., Pittsburg, Pa., Merchants and Manufacturers Association, Atlanta, Ga.; without designation; Little Rock, Ark., Board of Trade. Then we have without further designation Pine Bluff, Ark., Clarksville, Tenn., Washington, D. C., and St. Paul, Minn., Chamber of Commerce, Beaumont, Tex. Again without designation, Madisonville, Tex., Southern Cotton Growers' Association; Commercial Club, Marion, Ind., and again without designation, Birmingham, Ala.

Mr. SHERLEY. That convention was called for the purpose of considering the subject of the internal improvement of the Mississippi River and other rivers of the country and harbors, was it not?

Mr. GOULDER. Not entirely, because I had an invitation to go there and speak, and one of the subjects to be considered, as I understood, was the great desirability of establishing communication with South America from the Gulf ports.

Mr. SHERLEY. Was not the main purpose a river and harbor convention?

Mr. GOULDER. I am entirely unable to answer that, because I did not go. I think I have the papers at my hotel and I will be very glad to show you the letter of invitation to me.

Mr. SHERLEY. If I remember correctly, I was also invited to that convention.

Mr. GOULDER. You should have been. I was complimented at the rivers and harbors' congress with election to the presidency of the rivers and harbors' congress of the United States, which was said to be an honorary position. Mr. Ransdell, a member of the House from Louisiana, is the chairman of the executive committee, who are expected to do the active work. I fear, however, that before we get through I will fall into the pit that I have in having accepted the honorary presidency of the Merchant Marine League of the United States, which has given me a whole lot of work.

Mr. GOULDEN. I desire to put in evidence a telegram regarding the statement made the other day—I think it was by Mr. Donahoe, of San Francisco—who said that wheat was shipped abroad and ground into flour and then shipped back here and sold in our markets. I immediately communicated with the president of the New York Produce Exchange, a body of several thousand members, one of the most representative bodies in the United States, to ascertain the facts, and this is the reply:

NEW YORK, April 9, 1906.

Hon. J. A. GOULDEN, M. C., *Washington, D. C.*

During Leiter wheat deal, when wheat reached extreme prices, flour shipped to Europe at low figures was offered for reshipment to New York.

GRENVILLE PERRIN,
President New York Produce Exchange.

Mr. Charles Rabidan, a prominent member of the Produce Exchange of New York City, whom I vouch for, wrote to me that it was an abnormal condition that never existed before or since. I said at the time that I would ascertain the information and give it to the committee.

STATEMENT OF MR. EDWIN S. CRAMP, VICE-PRESIDENT THE WILLIAM CRAMP & SONS SHIP AND ENGINE BUILDING COMPANY, PHILADELPHIA, PA.

Mr. CRAMP. Mr. Chairman, it is always risky, as Josh Billings says, to prophesy unless you know. I thought of that remark when Mr. Sherley was asking if it was thought within the realm of possibility that we could ever manufacture ships, from the labor side, as cheaply as they could in England. There are certain types of ships that I think we can. We can manufacture the higher grade of ships.

The greater the speed, the finer the quality, the less the percentage of difference. In the case of an ordinary ship, whether it is a cargo boat or a merchant ship, about 33 per cent of its value is in the material that is delivered to the shipyards which the works themselves do not manufacture. That means plates and shapes. We make brass castings, but not the raw pig or the pumps and forgings. Now in the present condition of prices we can purchase forgings in this country, notwithstanding that there is a boom on and notwithstanding that labor is as high as ever it has been in the history of the country—we can buy forgings, steel castings, and such materials in this country for less money than abroad, and we get the other materials for practically the same price.

Mr. WILSON. What part of the ship's castings and materials can you buy in this country cheaper than abroad?

Mr. CRAMP. I said the forgings and steel castings.

Mr. WILSON. What part of the value of the ship does that constitute?

Mr. CRAMP. Of the materials that enter into the ship I have no details. The forgings represent a certain percentage of the vessel, but we never work it out that way. At present all of the materials that enter into the cost of the construction of a ship can be bought at the same price in this country as abroad. Many details we can buy for less.

Mr. LITTLEFIELD. Does that mean f. o. b., or delivered here with freight added?

Mr. CRAMP. That is without the freight added, but that is a very small item, being only about \$2.50 or \$3 a ton across the ocean.

Mr. HINSHAW. Please make that plain. You say that a vast majority of the materials which enter into the construction of a ship can be bought in this country as cheaply, at least, as abroad?

Mr. CRAMP. Yes, sir.

Mr. HINSHAW. And some cheaper?

Mr. CRAMP. Yes, sir. A few months ago Senator Gallinger wrote us a letter and asked what difference it would make had we purchased abroad the materials for some of the Ward Line ships that are going to trade between New York and Cuba and Mexico, and we investigated the matter very carefully, and we found that a ship that would cost us \$900,000, the only difference in favor of purchasing abroad at that time was \$11,000, and since that time materials have risen over there and practically kept still here.

Mr. WILSON. According to that there is practically no difference to-day between the cost of foreign-built vessels and American-built vessels?

Mr. CRAMP. No, sir; the materials that enter into the ship.

Mr. WILSON. There is no difference in the materials?

Mr. CRAMP. No, sir.

Mr. GOULDEN. Does that apply to the coastwise steamers?

Mr. CRAMP. Yes, sir.

Mr. GOULDEN. There is no difference whatever?

Mr. CRAMP. No, sir; but there have been times when the prices went up. For instance, the effect of the steel corporation during the last three or four years has been to steady the price for the market. Previously, in 1896, the price of steel went down under the influence of bad times to 1 cent a pound, the lowest price ever known in this

country and very much lower than in England. That was caused by the depression following the panics of 1893 that carried so many steel companies into bankruptcy.

Mr. GOULDEN. The average cost of the materials that enter into the coastwise steamers is about the same here as abroad?

Mr. CRAMP. Yes, sir.

Mr. SPIGHT. At this time the cost of material is no more in this country than in foreign yards.

Mr. CRAMP. Yes, sir.

Mr. SPIGHT. And the only difference in the cost of construction in American yards and foreign yards is the labor?

Mr. CRAMP. Yes, sir; absolutely.

Mr. SPIGHT. How much is that difference?

Mr. CRAMP. Practically double.

Mr. WILSON. What is the cost of the material in a million-dollar ship in this country?

Mr. CRAMP. It will be from 30 to 35 per cent.

Mr. WILSON. That is the cost of the material?

Mr. CRAMP. Yes, sir; and labor is the other two-thirds.

Mr. HUMPHREY. The material delivered to your yard?

Mr. CRAMP. Yes, sir. Of course you must remember that of the 35 per cent we purchase, about 95 per cent of that is labor at the other places where they are manufactured.

Mr. HINSHAW. To what extent is the material worked up before delivery to your yard?

Mr. CRAMP. We purchase the pig iron for the foundry, the coke and the gravel and sand. In the machine shops we buy the largest forgings. The small forgings, what they call "chicken feed," we make ourselves. In the cooper smith's shop we receive the plates and we braze them into pipes. Then we receive the plates, shapes, and beams from the mills, cut to sizes, and then we lay them off and punch the plates. So that the 65 per cent of labor is placed on those materials at the shipyards.

Mr. HINSHAW. Did you hear the statement made by Mr. Hanscom that steel in this country costs about 1.65 cents per pound, and across the water 0.95 cent per pound?

Mr. CRAMP. I do not think he is advised.

Mr. HANSCOM. That was two or three years ago.

Mr. CRAMP. I think the lowest it has been on the other side has been \$25 a ton and that would be about 1½ cents a pound. At present it is nearer 1¼ cents a pound.

Mr. GOULDEN. What is it here?

Mr. CRAMP. It is \$1.73, the base price.

Mr. WILSON. What is it on the other side?

Mr. CRAMP. It is about the same.

We recently had an opportunity to bid on a steamer for the Standard Oil Company and we found on asking prices from abroad that there was no difference—

Mr. LITTLEFIELD. No difference in the materials?

Mr. CRAMP. Yes, sir; as far as the cost of the ship was concerned. I think it is an object lesson, and if you gentlemen would like I will read the bids.

Mr. WILSON. What was the style of ship?

Mr. CRAMP. A very large tanker.

Mr. LITTLEFIELD. Did you figure on the ship?

Mr. CRAMP. We figured, but did not put in a bid.

Harland & Wolff, \$613,525; Palmer, \$703,250; Vulcan (Germany), \$779,880; Laing, \$783,275.

Mr. GOULDEN. Where is that firm situated?

Mr. CRAMP. I do not know.

Mr. SEWELL. Liverpool.

Mr. CRAMP. Techlenburg (Germany), \$792,490; Swan & Hunter, \$805,100; W. Furness & Co., \$812,375; Scott, \$819,650; Blohm (Germany), \$852,145; Dunlap (England), \$887,550.

There is one remarkable thing I would like to call attention to. Very often in speaking about the price of ships here and abroad the question is asked: "Can you build within 10 or 15 or 25 per cent of the price we can get it in England?" and of course the man who wants to trap you on that point always takes the price of the very lowest bidder. Here to-day among the most reputable foreign concerns there is a variation of 35 per cent in the prices.

Mr. HINSHAW. To whom was the contract awarded?

Mr. CRAMP. To Harland & Wolff. A number of American shipbuilders bid. They were the New York Shipbuilding Company, \$1,024,805; the Maryland Steel Company, \$1,073,790; and two concerns, the Roach Shipbuilding Company and the Newport News Shipbuilding Company bid \$1,099,980; and the Fore River Company, \$1,261,000. The difference between the lowest American and the highest American bid was 12 per cent, and the difference between the highest foreign bid and the lowest foreign bid was 35 per cent.

Mr. BIRDSALL. Have you any opinion why Harland & Wolff made that bid?

Mr. CRAMP. They never built a ship of that type before.

Mr. WILSON. Will they ever build another ship of that type for that price?

Mr. CRAMP. They may learn something. I would consider the bid of Swan & Hunter the best average foreign bid.

Mr. LITTLEFIELD. Harland & Wolff never built a ship like that before?

Mr. CRAMP. No, sir.

Mr. LITTLEFIELD. What was the size?

Mr. CRAMP. Very nearly 500 feet.

Mr. BIRDSALL. Was there any American bid; you did not bid yourself?

Mr. CRAMP. No, sir. The American bids ran from \$1,024,000 to \$1,261,000.

Mr. GOULDEN. There is quite a variation there?

Mr. CRAMP. Yes, sir; about 20 per cent.

Mr. GOULDEN. What do you attribute that difference to?

Mr. CRAMP. Some men are more eager to get contracts, and are willing to lose something for advertising.

Mr. GOULDEN. As far as you know, all those firms are responsible?

Mr. CRAMP. Yes, sir; there could not be any better.

Mr. GOULDEN. But still they did not give the contract to the lowest bidder?

Mr. CRAMP. Yes, sir.

Mr. GOULDEN. I thought the lowest bidder was a German firm.

Mr. CRAMP. No, sir; "Wolff" is a German name, but Harland & Wolf are Scotch builders.

There is one thing I want to call your attention to, which is a matter of public information—the claim that is generally made that we have a monopoly of the coast trade, and therefore we should have a splendid field for shipbuilding. What little chance we have had at the coast trade has been the means of keeping alive the few shipyards in America, but Congress is responsible for the condition of shipowning and shipbuilding, and as a matter of course we are in exactly the same fix that we were in in 1891 when the bounty bill came near passing Congress.

At the same time in that Congress there was a postal-compensation bill introduced which finally passed after the rates had been cut down to render it as innocuous as possible. Since 1891, according to the reports of the Bureau of Navigation, Congress has not only declined to do anything for shipping, but worse than that, has tried to exterminate it. You will find in a report of this committee, about two years ago, a list of foreign-wrecked ships registered. You have admitted to American register, both by special act and general law in the fifteen years since you declined to pass the bounty bill, 267,000 tons of foreign wrecks.

Mr. GOULDEN. Did not a good deal of that come in from Porto Rico and Hawaii?

Mr. CRAMP. Seventy-five thousand tons. So there have been about 200,000 tons that have come in. When the Spanish war occurred the War Department went abroad and bought 61,000 tons, costing \$5,431,000, and the Navy Department bought 72,000 tons, costing \$5,111,000, making in those purchases over \$10,500,000, and making a total by special acts, general law, and purchase of over 401,000 tons purchased and acquired, most of them—nine-tenths of them—absolutely rotten and worthless.

Mr. GOULDEN. Can you tell me what number was admitted by acts of Congress? We have taken away the general authority.

Mr. CRAMP. That is the best thing which has been done in many a year. By special acts of Congress there have been admitted 172,460 tons. In all, 159 vessels, all since 1891.

Mr. SHERLEY. What do you mean by the statement that these vessels were "rotten?"

Mr. CRAMP. In nautical circles they have been known to be worthless, and they have been termed "floating coffins and whitewashed tramps."

Mr. HINSHAW. The were repaired in American shipyards?

Mr. CRAMP. Yes, sir.

Mr. HUMPHREY. Did the repairs cost more than the original purchase price?

Mr. CRAMP. No, sir; take the case of the *Merrimac*, for which the United States Government paid \$325,000. I suppose the original price must have been \$60,000 or \$70,000, and, say, about \$70,000 was spent for repairs. That would make \$140,000, and she was sold to the United States Government for \$325,000.

Mr. WILSON. Do you think that was a high price for the *Merrimac*?

Mr. CRAMP. The country needed vessels at that time. They selected that ship to block the entrance to the harbor because she was of less value than any other ship in the fleet.

Mr. BIRDSALL. As I conclude from your figures, the chief, if not the only, difficulty with your shipbuilders is the difference in the cost of labor, which you say is what per cent?

Mr. CRAMP. Two-thirds, practically.

Mr. BIRDSALL. It appears that the subsidy provided by this bill will just about equal the difference in cost of the maintenance of the ship or operating the ship, and if it does not do any more than that, how would it aid ship construction?

Mr. CRAMP. The only way I can answer that question is this: The people who are in the shipping business express a desire to build ships conditional on the passage of this act.

Mr. BIRDSALL. I reached my conclusion from the figures that were given by Mr. Marvin the other day, who said that in order to stimulate shipbuilding the subsidy must be sufficient to overcome the difference in the cost of construction and the cost of operating and maintaining the ship.

Mr. CRAMP. I know a good many people, particularly the people who own the large steamship companies, who say that the bill is not going to do any good because it does not give enough, and they are not in favor of it, and that nobody will take advantage of it. The argument to that is that if they do not take advantage of it it is not going to cause any grants from the Treasury and its passage will therefore do no harm.

I know one person, whose name I am not at liberty to mention, who has a traffic arrangement with the trunk lines on the eastern seaboard which runs for ten years commencing July 1, 1907, and in this service they will require six ships that will carry nearly 10,000 tons of cargo each. That is a business where competition is very fierce and the Commission in investigating the North Atlantic trade considered that trade conditions so difficult that they would not attempt to frame this bill to aid it but make it a matter of future and separate consideration. Nevertheless, this gentleman has intimated that if this bill passes he will construct six ships of nearly 10,000 tons each.

Mr. BIRDSALL. So in the final conclusion of this, or any other bill, it must afford certainty to capital that they will receive some profit on the capital invested?

Mr. CRAMP. Yes, sir; they argue that this amount would be about 5 per cent on the total cost. If a man draws \$50,000 under this bill, his ship costing about \$1,000,000, that enables him to start a line and keep him in operation for a number of years, until he thoroughly establishes himself.

Mr. BIRDSALL. The depression in shipbuilding is not confined alone to this country; it has been universal during the last five or six years.

Mr. CRAMP. In England and Germany it is very promising now. A great many ships have been built there.

Mr. BIRDSALL. There has been a considerable reduction in freight rates, owing to the competition in ocean traffic running over the last four or five years, practically 100 per cent.

Mr. CRAMP. The reduction in freight rates comes largely by reason of the improved engines, like the quadruple supplanting the triple expansion, or the triple expansion supplanting the compound, and also in the size of the ship. You can carry across a cargo very much

more cheaply in a large ship than in a small one. It all comes down to the question of the coal pile.

Mr. BIRDSALL. The displacement of foreign ships by the American ships that will be constructed necessarily will force the foreign ships into closer competition here or in the trade elsewhere.

Mr. CRAMP. Do you mean that the American manufacturer in the middle West will get the benefit of it by getting cheaper rates for his exports?

Mr. BIRDSALL. When the competition is reduced below a profitable rate, will we not be in the same condition we are now?

Mr. CRAMP. We could not be any worse off than we are now. Of course the building up of an industry and the building of a large number of ships will enable them to reduce the cost of construction, and all you want is to get some little compensation, not so great as to attract the promoter, but enough to make the investment for economically managed lines pay, and that is practically all that this bill does.

Mr. BIRDSALL. If this is simply a subsidy, because that is what it amounts to, for the present, or for five or six or ten years, persons opposed to the general proposition might not object, but they fear it is only the opening wedge and that it will have to be continued and increased from year to year.

Mr. CRAMP. I do not know what the ultimate condition would be, but even if that were the case the country ten years from now would be better able to stand it than it would the present amount to-day. This country has spent since 1891 out of the Treasury of the United States \$11,000,000 for foreign ships for naval and war purposes, and it has always hesitated to spend \$9,000,000 in ten years in compensation which would build good ships instead of worthless ships.

Mr. HINSHAW. You do not mean \$9,000,000 in ten years—it is \$50,000,000.

Mr. CRAMP. No, sir.

Mr. WILSON. If this bill should become a law at this Congress, it is likely to be repealed at a future date by another Congress. Would that in any way discourage the men from building ships?

Mr. CRAMP. It would, certainly, because the man who puts his money in wants some surety of the permanence of the investment.

Mr. WILSON. I had an idea that it would greatly affect the building of American ships—the fear that if the bill did become a law it might be repealed by some other Congress.

Mr. CRAMP. It is very questionable whether that would be the case. When the postal act of 1891 was passed it was supposed that during the next session of Congress there would be some factional fight or partisan fight and the act would be repealed, but both parties have voted for that ever since. I guess it would be a very hard matter to-day for either party to get that act repealed, because that bill, poor as it was, was really the means of building a number of ships like the *St. Louis* and *St. Paul* and the bringing in of the *New York* and *Paris*.

Those are the ships which practically removed the entire army out of Cuba when threatened with yellow fever, and had it not been for those ships the army would have died down there. Those ships brought the soldiers out, 2,500 on each ship, at 20 knots an hour, and

landed them at Montauk Point. If it had not been for those ships you would have had a most awful disaster.

Mr. GOULDEN. You have built some naval vessels?

Mr. CRAMP. Yes, sir.

Mr. GOULDEN. In competition with foreign bidders?

Mr. CRAMP. We have in past times, like the Japanese and the Russian cases.

Mr. GOULDEN. You were able to compete with foreign bidders?

Mr. CRAMP. At that time; yes, sir.

Mr. GOULDEN. Now?

Mr. CRAMP. With those ships it is not always a question as to the price. The admiralty abroad selects its bidders, and it is not a question of whether it is John Smith or Jim Jones; they generally like some particular type of ship.

Mr. SHERLEY. What proportion of the cost of a battle ship is represented by labor?

Mr. CRAMP. I would say that would be about 50 per cent.

Mr. SHERLEY. You think it is less than in the case of a merchant vessel?

Mr. CRAMP. Yes, sir; because of the high cost of ordnance and armor. That would make the per cent higher than otherwise.

Mr. GOULDEN. Do you know anything about the American-Hawaiian Company?

Mr. CRAMP. Yes, sir.

Mr. GOULDEN. You know they are building several new steamers to ply in the Carribean Sea and across the Isthmus and then across the Pacific Ocean. Do you not think that one of the reasons of stagnation is that capital is profitably invested elsewhere?

Mr. CRAMP. That has been the case for the last fifty years.

Mr. GOULDEN. The difficulty to get capital away from more profitable investments elsewhere?

Mr. CRAMP. Apparently.

Mr. SHERLEY. The testimony taken by the Commission went to show that those who were shipowners thought that if they had the privilege to buy their ships where they pleased they would not operate them under the American flag on account of the additional cost of operation and labor.

Mr. CRAMP. Yes, sir.

Mr. SHERLEY. If that statement be accurate, does it not follow that your subsidy would only increase your merchant marine to the extent that you open up the purse strings of the Government?

Mr. CRAMP. Admit that. The foreigner has his ship built cheaper, he has labor at half-price, and also his running expenses. He has not only that, but he has a subsidy and he is now going into the policy of exclusion. Last night I clipped from the *Evening Star* a paragraph which I would like to read with your permission.

NAVIGATION BILL RECOMMENDS THAT PREFERENCE BE GIVEN BRITISH OWNERS.

SYDNEY, April 9.

The forthcoming report of the royal commission on the federal navigation bill recommends that preference be extended to British shipowners and producers on the basis that the ships shall be manned by a substantial proportion of British citizens, or shall be carrying cargoes of which a substantial proportion shall be of British manufacture or origin. The commission also suggests that

as a matter which affects the whole of the Empire the nature and the extent of the preference shall be considered at the proposed imperial shipping conference. The commission finds that British seamen are disappearing, and recommends numerous drastic reforms, with a view to the improvement of their condition.

The formation of an Australian royal naval reserve and the establishment of sea-going training ships for boys are also suggested, and it is recommended that it is to be made illegal to give rebates on freight when such rebates are conditional on exclusive shipping with certain vessels.

We have not only got to compete with these cheaper ships, but absolute exclusion laws are to be framed by the British which will shut us out of that trade.

Mr. SHERLEY. You consider, then, that under this bill appropriations will have to be continued indefinitely, and that that should be the policy adopted by the Government?

Mr. CRAMP. It certainly should be continued for a certain time.

Mr. SHERLEY. Can you give the committee any idea when that time will be reached?

Mr. CRAMP. It would take ten years for this country to build up a merchant marine which would enable it to accompany its fleet on any small maneuvers. I saw this paragraph in the Army and Navy Register, which is a clipping from one of the British naval papers:

During the naval maneuvers of the British navy this summer a large number of merchant ships will cooperate with the navy. The fleet will be divided into attacking and defending forces and vessels to act as convoys for merchantmen. So far as the latter are concerned the maneuvers will be kept within ten days. Inquiries are now proceeding in regard to the number of vessels that may be within the sphere of operations during the experiment. The list is not likely to be completed before May, but 250 or 300 vessels are expected to be in the area affected. It is estimated that the maneuvers will cost \$1,250,000, exclusive of the ordinary maintenance expenses of a fleet at sea. The admiralty proposes to effect insurance to the extent of \$50,000,000, and a rate has been offered to underwriters to cover loss by collision or arising from the detention caused by merchantmen being held up by warships. There is no provision for other contingencies. Lloyd's and the Marine Insurance companies have been asked to accept \$25,000,000 risk each.

Mr. SHERLEY. You are now speaking of the merchant navy. What I was asking about was what period of time we might look forward to as being one when the merchant marine would be able to exist without a subsidy?

Mr. CRAMP. I do not think it is possible for any man in the world to say anything about that, because if England with all her pre-eminence at this day has got to pass an exclusion act we certainly have got to adopt offensive measures.

Mr. SHERLEY. You consider the adoption of this policy should be the adoption of a permanent policy, indefinitely, without regard to the stopping of this subsidy at any particular time in the future?

Mr. CRAMP. As long as this country wants to be a first-class nation and as long as we are going to have a foreign policy.

Mr. SHERLEY. You consider that in order to make a merchant marine you have to continue to pay the losses that they would otherwise bear in competition with other nations in the carrying trade?

Mr. CRAMP. I do not think that is the right way to put it.

Mr. SHERLEY. Well, the fact is that the operation of ships flying the American flag is not profitable?

Mr. CRAMP. In the foreign trade.

Mr. SHERLEY. And the purpose of this subsidy is to make profitable a business that is now unprofitable?

Mr. CRAMP. That is correct.

Mr. SHERLEY. The point I am trying to reach is how long we will have to continue to pay shipowners to make their business which is now unprofitable profitable, for what period can we reasonably expect, as a result of the impetus given under this bill, that they will be self-supporting and will cease to come to the National Treasury for their profits?

Mr. CRAMP. How long will the railroads come to the Government for assistance?

Mr. SHERLEY. Some of us had hoped they would cease.

Mr. BIRDSALL. What regulates the price of labor in your yards?

Mr. CRAMP. The price that is paid in any establishment is a question of the general prices in that community.

Mr. BIRDSALL. Are your yards unionized?

Mr. CRAMP. No, sir; they are open shops.

Mr. BIRDSALL. And the greater part of the labor, I take it, is skilled labor?

Mr. CRAMP. Very largely.

Mr. BIRDSALL. And you have to pay in your shipbuilding what those men can secure in other industries?

Mr. CRAMP. Absolutely; otherwise they would leave our establishment.

Mr. BIRDSALL. Practically all other industries are unionized?

Mr. CRAMP. Oh, no.

Mr. BIRDSALL. Is that not true in the steel industry?

Mr. CRAMP. I am not posted as to the steel industry. The largest shops in Philadelphia are not unionized—the Baldwin Locomotive Works, for instance.

Mr. LITTLEFIELD. The greatest locomotive works in the country?

Mr. CRAMP. In the world; they employ 16,000 men.

Mr. BIRDSALL. The wages testified to here look rather large to me, and I judge from your statement they are double the wages abroad. I suppose there must be a demand for that labor elsewhere which maintains that price?

Mr. CRAMP. In so far as that is concerned, we pay out now about \$70,000 a week in wages.

Mr. BIRDSALL. How many men do you employ?

Mr. CRAMP. About 6,000, and that does not, of course, include salaries. In addition to that we are purchasing about \$40,000 of material.

Mr. LITTLEFIELD. A week?

Mr. CRAMP. Yes, sir. That is, \$110,000 of disbursements every week which goes to the American mechanic, and we never regard it as any of our business to know anything about his organization.

Mr. BIRDSALL. It is your aim and you are willing to pay a fair American wage?

Mr. CRAMP. We always have; we have for three generations.

Mr. LITTLEFIELD. Are you familiar with the fact that Sir Henry Asquith in the recent campaign, when he was discussing Mr. Chamberlain's suggestion in relation to the British people, criticised Chamberlain because Chamberlain omitted the earnings of the British merchant marine, which aggregate \$500,000,000?

Mr. CRAMP. I have not seen that statement.

Mr. WILSON. How many ships have you now under construction in your yard?

Mr. CRAMP. We have a number for the coast trade and we have four for the foreign trade, but the four for the foreign trade will really not increase the tonnage in the foreign trade, because two of them are to replace the Havana steamers which were sold to the Canal Commissioners, and the other two will replace three ships in the Seattle and Alaska trade.

Mr. WILSON. For whom are you building those ships?

Mr. CRAMP. Those ships that I speak of are for the trade between Havana and Vera Cruz and New York.

Mr. WILSON. Have you any contract for any other foreign ship now?

Mr. CRAMP. I do not think there is one in the country. Three years ago we built the *Kroonland* and *Finland*, vessels of nearly 12,000 tons, for the Antwerp trade.

Mr. WILSON. Do you have any trouble in finding plenty of labor for your yard?

Mr. CRAMP. Of course, in good times we always have trouble in finding the best men. For a number of years the amount of such labor available has been very small. I do not suppose in the history of the country there has been a time when labor has been so well employed as it has been during the last four or five years.

Mr. WILSON. A good mechanic coming to your yard could secure employment now?

Mr. CRAMP. Yes, sir.

Mr. WILSON. And that has been true for sometime?

Mr. CRAMP. Yes, sir; for three or four years.

Mr. SHERLEY. Is the scarcity of labor one of the causes for the present high prices?

Mr. CRAMP. Yes, sir. The boss is now looking for the man. In England the man is bidding for the boss.

Mr. GOULDEN. You have spoken of Hawaii and Porto Rico. Did we not get any tonnage from the Philippines?

Mr. CRAMP. Very little.

Mr. HINSHAW. Leave out of consideration the benefits to our Navy and the benefit to the shipowner and shipbuilder, what do you think would be the chief benefit which the American people in general would obtain from the passage of this bill?

Mr. CRAMP. If you eliminate all the benefits, you do not leave much in the bill.

Mr. HINSHAW. I was trying to figure out where Nebraska would come in.

Mr. MINOR. Is it not a fact that if this bill should pass and our people should resume the building of ships, the tendency would be to build larger ships with improved machinery, and that there would be more cargo carried and less coal consumed, and that that would have a tendency to reduce the freight rate?

Mr. CRAMP. There is no question about that.

Mr. MINOR. And that the shipper in Nebraska and Wisconsin would get the benefit?

Mr. CRAMP. The Middle West is the great manufacturing portion of the country. It is going to get all the benefit.

Mr. HUMPHREY. As respects the question which Mr. Hinshaw has asked, I want to call your attention to this fact, which you may know, that during the last year the wheat raised on the Pacific slope, which

amounts to a great many millions of dollars, all went to the Orient for the first time in its history. Before that time a great deal of the wheat had come across here and gone to Europe. That changing of the markets greatly benefited the wheat raisers in the Mississippi Valley by taking away the competition. That was largely due, if not entirely, to the large ships going out of Seattle, the Hill Line and the Boston Steamship Company. The Boston Steamship Company represents more tonnage than the Hill Line.

Mr. LITTLEFIELD. And that relieves the Atlantic markets of a great deal of competition?

Mr. HUMPHREY. Yes, sir. Mr. Hill carried a barrel of flour from Minneapolis to Hongkong for 80 cents. I think there is a direct benefit to the farmers of the Middle West, and the exports, which are largely flour, have increased from Seattle and from Puget Sound from \$20,000,000 in a few years to \$56,000,000.

I want to call the attention of the committee to the fact that at the present time there is an option of purchase on the Pacific Mail Line by the Japanese Government, and it is a fact also, I believe, that there are negotiations pending for the sale of the Hill vessels, and also for the Boston Steamship Company's vessels. That is the position we are in there, and I do not see any reason why it should not be done, if these men are telling the truth when they say that they are all losing a large amount of money.

Mr. SHERLEY. Do you consider that the building of ships under the subsidy would result in the cheapening of freight rates?

Mr. CRAMP. Ultimately it would, because the merchant would have larger ships, and there would be better competition and we would be able to carry cheaper.

Mr. SHERLEY. Is the tendency now toward larger ships?

Mr. CRAMP. Yes, sir.

Mr. SHERLEY. Would not that tendency continue whether we built in America or not?

Mr. CRAMP. Yes, sir; but the men here will build larger ships instead of sticking to the little ships of ten years ago.

Mr. SHERLEY. Are not the ships now doing the great bulk of the carrying trade large ships and growing larger each year?

Mr. CRAMP. Yes, sir.

Mr. SHERLEY. If the price charged for carrying commodities is reduced would not the subsidy be increased as the price is reduced?

Mr. CRAMP. That is so many years hence that I do not think anybody could answer that question. As far as our books are concerned, I was showing what the condition was fifteen years ago and how we have shrunk down to practically below 9 per cent of the foreign trade, and what Mr. Humphrey tells you I know of my own knowledge in regard to the Pacific Mail and the Spreckels Line and other lines, but if this bill does not pass you will not carry 9 per cent, you will not carry 3 per cent. If it is considered to the advantage of the Government to have control of all the delivery wagons in the hands of the foreigner, if that is the policy of the Government, the rest of us can stand it.

Mr. LITTLEFIELD. Do you know any other country that does not look upon the carrying trade as a valuable adjunct to its business, as a valuable element of wealth?

Mr. CRAMP. I do not think you can show a single case in the history of any commercial nation where they have pursued a policy like this country has for forty years.

Mr. SHERLEY. Do you know of any legitimate business of any size that the people are engaged in of any country that is not considered a part of the national wealth of that country? In other words, is not this like any other business? It may have its value in regard to national defense, but laying that aside, is not any legitimate business a source of wealth and is there any peculiarity in the carrying trade?

Mr. CRAMP. Yes, sir. For instance, the building of cars is a source of wealth, but a man who builds a car has a market in this country and he does not build that car and run it for one-half the price.

Mr. LITTLEFIELD. Is it not a well known fact in all mercantile circles that it is almost impossible to develop the foreign trade of any country where its products are carried in the vessels of its competitors? Germany carries its products in its own vessels and has not that had a very important effect in the development of the German trade?

Mr. CRAMP. That has been the keynote of the prosperity of Germany since 1871.

Mr. SHERLEY. Have not our exports and trade with foreign countries increased very much in recent years?

Mr. CRAMP. Yes, sir.

Mr. SHERLEY. And has not the merchant marine decreased?

Mr. CRAMP. Yes, sir.

Mr. SHERLEY. Then it would seem that it does not necessarily follow that the foreign trade was dependent entirely upon the merchant marine for its business.

Mr. CRAMP. On the other side, the more the trade increases the more you are adding to the \$500,000,000 which England gets as a carrying nation.

Mr. LITTLEFIELD. Is it not absolutely true that nearly all of the increase in our trade has been between this country and other countries between which there are well-established lines of communication?

Mr. CRAMP. Yes, sir.

Mr. GREENE. You stated that you had about 6,000 men employed at your yard?

Mr. CRAMP. Yes, sir.

Mr. GREENE. If this bill should pass would your yard or other yards on the Atlantic coast have more employment for workmen?

Mr. CRAMP. There is no question about that.

Mr. GREENE. Could you estimate what that increase would be under the provisions of this bill?

Mr. CRAMP. With its present size it would employ 2,000 or 3,000 more men.

Mr. GREENE. And how would it be with other shipyards on the coast, so far as you know?

Mr. CRAMP. On the Delaware River alone there would be at least 10,000 more men employed.

Mr. GREENE. And how about the Bath Iron Works?

Mr. CRAMP. I am not posted as to how much work they have, but I do not think they have a very large amount. Bath and Fore River

and Newport News and other concerns would employ between 10,000 and 15,000 additional men.

Mr. GREENE. Mr. Hinshaw has asked what advantage this bill would be to Nebraska. If there were 15,000 or 25,000 more people employed at the wages paid in America, that would mean the employment of a great many people outside of that in the preparation of the materials and the digging of the ore out of the earth and preparing it, and I would like to ask you whether or not it would not be, in your opinion, an advantage to Nebraska to have that number of men employed in this country?

Mr. CRAMP. There is no doubt about that, for this reason: the American workman consumes more per capita, two or three times as much, as the workman of any other section of the world. Those 25,000 men will consume three times as much corn and meat in a week as the same number of foreign workmen.

Mr. GREENE. And as a consequence it should be of some advantage to Nebraska?

Mr. CRAMP. Yes, sir.

Mr. SHERLEY. Those men would either be employed over there or here, but 'here they might be employed in something else besides shipbuilding.

Mr. CRAMP. Admit that; what does that prove?

Mr. SHERLEY. A while ago you were speaking about the scarcity of labor for your yard, and you are now stating that it will employ a great many more men and that those men will consume a lot of things that Nebraska has to sell.

Mr. CRAMP. But I did not say that labor was so scarce that we could not get more men.

Mr. LITTLEFIELD. Is it not a fact that, whether great or small, the more avenues you open for employment of labor the more you improve the general conditions?

Mr. CRAMP. Yes, sir.

Mr. SHERLEY. Is it not true that you can create any industry and employ any number of men in it if you are willing to pay out of the National Treasury enough money to make that industry profitable?

Mr. CRAMP. Within limitations; excessive amounts would demoralize the shipping and shipbuilding business.

Mr. BIRDSALL. Going back to freight rates, are you familiar with the rate from New York to Liverpool?

Mr. CRAMP. I am not; but I believe that bulky cargoes can be carried at from \$2.50 to \$3 a ton.

Mr. BIRDSALL. I find from the report of the Commissioner on Navigation that in 1884, for instance, the price per ton for provisions from New York to Liverpool was \$5.09, and that there was a gradual decrease to the year 1901, when the freight rate on provisions was \$1.78 a ton, and for the year 1902, \$2.39, and for the year 1903, \$2.59. You are not familiar with the freight rate now?

Mr. CRAMP. I believe for a number of years back—that is, for three or four years in succession—practically about the time the big steamship merger was formed, the freight rate went to a lower point than ever known in the history of shipping.

Mr. BIRDSALL. Have you any information as to what this decrease was due to from 1884 to 1901; whether it was competition or increased carrying capacity, or both?

Mr. CRAMP. Quite a number of causes have been given by a number of different writers on the subject. For instance, the unusual stimulus given by the Boer war, where England was enabled in the most marvelous manner to transport 300,000 nearly 5,000 miles in the course of a few months, simply confiscated an enormous fleet of commercial vessels. Had she not possessed such a great merchant marine it would have been impossible to have subdued the Boers. That unusual stimulus was followed by a reaction, and when the tonnage was let loose on the market it competed with the new tonnage constructed during that period.

Mr. LITTLEFIELD. We had a decrease also at that time in farm crops—short crops?

Mr. CRAMP. Yes, sir.

Mr. BIRDSALL. Ultimately to make the business profitable to the shipping industry the profit must be acquired either in the freight carried or made up in the manner this bill proposes. The agricultural industries of the country furnish about 80 per cent of the export trade, and to that extent would necessarily bear the burden?

Mr. BIRDSALL. We are securing the carrying of our products as cheaply as it can be done, confessedly cheaper than American ships can do it under existing conditions, and the query of Mr. Hinshaw was very apropos—How are we to be benefited by building up American shipping?

Mr. CRAMP. That brings up what is a very important matter, the growth of the large ships and the improvement in the design of the machinery, which enables you to carry your agricultural products from the farthest ends of the earth to-day and put them in the center of the commercial world, which is London, for less than half what you paid ten years ago.

Mr. BIRDSALL. I see the freight rate on a bushel of wheat from New York to Liverpool is 2 cents.

Mr. CRAMP. Yes, sir.

Mr. BIRDSALL. And the freight rate for a bushel of wheat or corn from my town, 350 miles, to Chicago, is 12½ cents.

Mr. CRAMP. Yes, sir. We are now consuming nearly all the wheat we raise, we are growing so rapidly, and we are exporting less every year of wheat, and the competition in agricultural products will become greater. The large ships are now going down to Argentina—

Mr. BIRDSALL. That suggests an inquiry made by the Patrons of Husbandry in reference to the bill. If we should force the foreign ships out of this competition here, they must seek business elsewhere; it can not be expected that the foreign ships are going off the sea entirely, and they will go to Argentina and convey their products in competition with our own to the neutral markets.

Mr. LITTLEFIELD. But you can not force the ships out without a reduction of the freight rate?

Mr. CRAMP. No, sir.

Mr. LITTLEFIELD. And if you force them out and the rates are reduced, everybody engaged in business is benefited?

Mr. CRAMP. Yes, sir.

Mr. BIRDSALL. It follows that the Americans are not going to build ships to do no business; they must take the place of the foreign ships in our trade?

Mr. CRAMP. The greatest increase in the new ships is not going to come between New York and Liverpool and London, because that is the trade in which the competition is the fiercest. It will come in the development of the new lines of trade to South Africa or to South America or the Pacific coast.

Mr. HINSHAW. This severe competition with Argentina will go on the same whether we pass this bill or not. Argentina is developing all the time, and the large ships will continue to go at lower rates year by year, irrespective of what we do here.

Mr. CRAMP. Yes, sir. But the shippers in this country will get the benefit of the lower rates which the American lines will establish, by reason of the fact that the subsidy will go back to the shipper.

Mr. HINSHAW. Mr. Ellis said yesterday that this \$5 a ton would in fact go to the foreign producer, because the American shipowner would be obliged to compete with the subsidies to foreign vessels, so much so that he would absolutely give away that \$5 a ton, or very nearly all of it, to get the business.

Mr. CRAMP. I do not know how much the foreigner would get; I think the American producer would get it, because if it was not for the extra amount there would not be any goods to go out of this country at all.

Mr. HINSHAW. And on the return cargo it might go to the producer on the other side?

Mr. CRAMP. True.

Mr. HINSHAW. In the foreign trade do the French and German and other vessels now absolutely compete or is there any combination among them to prevent competition?

Mr. CRAMP. There is competition between themselves, but there is a combination against Americans in every port in the world. If they can not take a cargo themselves they secure it for another one.

Mr. LITTLEFIELD. The two ships you speak of as having been built for the Antwerp line, do you know how they came to be built?

Mr. CRAMP. The Frye bill, I think that was the one, or was it the Hanna bill—both those bills had that feature, to admit a certain number of ships built abroad if an equal number were built here. In other words, 50 per cent of the tonnage was to be constructed in this country and 50 per cent abroad. The justification for that was this: It was considered a hardship for the American to have to pay this high price for American ships—30 or 40 per cent, whatever the difference happened to be—and he was to be allowed to purchase 50 per cent of the ships on the other side, and the subsidy was to be paid on all ships. The *St. Paul* and *St. Louis* were built under the same provision. They built the *Vaderland* and *Zeeland* on the other side, and we built two ships here.

Mr. LITTLEFIELD. They built those ships with the expectation of getting the benefit of the legislation?

Mr. CRAMP. Yes, sir.

Mr. LITTLEFIELD. And the pendency of that bill and the sentiment developed was sufficient to build those ships?

Mr. CRAMP. Yes, sir. The Atlantic Transport Company built a number and the Boston Tow Company built a number, and they would have continued to build more ships.

Thereupon, the committee took a recess until 2 o'clock p. m.

AFTER RECESS.

The committee reconvened at 2 o'clock p. m., Hon. Edward S. Minor in the chair.

The CHAIRMAN. The committee will be in order.

STATEMENT OF MR. JOHN McNEIL.

Mr. McNEIL. Mr. Chairman and gentlemen, with the permission of the chair I would like to say a few words in explanation as to my position before this committee. I understand that there were statements made here the day before yesterday that I had no authority whatever to represent the organization of the Brotherhood of Boiler Makers and Iron Ship Builders of America. I think if the gentlemen will look the records up they will see that I did not state that I was representing the Brotherhood of Boiler Makers and Iron Ship Builders of America, and if that impression has been conveyed to the minds of some of the committeemen I am sorry, because I never made the statement. There were two men sent here by the national president of that organization to represent that body, of whom Mr. Donahoo, of San Francisco, was one.

Mr. WILSON. What are his initials?

Mr. McNEIL. P. J. Donahuo.

Mr. WILSON. Do you know his address?

Mr. McNEIL. No, sir. The other member who was sent here was Thomas Murtha, of Cleveland. As I was very much interested in the shipping bill, as soon as I heard the committee was going to sit I immediately got in communication with the executive council of the Brotherhood of Boiler Makers and Iron Ship Builders of America and asked them the position they were going to take in the matter, knowing that they were committed to that bill through their own constitution, which is on record. I was told by the official in Kansas City that the executive council was then in session in Chicago in the McCoy Hotel, and I immediately went to Chicago and conferred with the executive board, and at their suggestion and their request that I should come to Washington and present my views in favor of the bill I did so simply because I had traveled the country from one end to the other, had met each and every lodge of the brotherhood when I was national officer, and I yet have to meet one who was not strongly in favor of that bill.

Mr. Dunn and Mr. Fitzgerald said, "It is owing to you, having experience and the knowledge of the men throughout the country; and having made a study of that bill, we will be very much pleased if you will go down to Washington and talk in favor of that bill." I did so and came here; and yet there has been a telegram come here, I understand, that Mr. McNeil was not authorized to represent the organization.

The CHAIRMAN. Are you a member of the organization?

Mr. McNEIL. I am not a member, and the reason I am not a member is because I was suspended for refusing to call strikes which I was satisfied were entirely unnecessary. I am satisfied that the gentleman who made these remarks, Mr. Gompers, would never have done so had he known the true condition of affairs. I know Mr. Gompers as a gentleman, and he is a good friend of mine and I am a good friend of his,

and I am satisfied that had he had the letters in his hands that I have he would not have said it, and I am satisfied that he did not say it to injure my standing as a man or to cast any shadow of doubt over my statements here.

Immediately upon hearing that these men were in session I went there and secured their authorization to represent them. I present here two members of the organization of the National Society of Boiler Makers and Ship Builders who are not affiliated with the American Federation of Labor.

Mr. WILSON. Where is your home?

Mr. McNEIL. Where is my home?

Mr. WILSON. Yes.

Mr. McNEIL. Kansas City, Kans.

Mr. WILSON. Did you come here from there for the purpose of presenting this matter to this committee?

Mr. McNEIL. I came here from there for the purpose of advocating the passage of this bill, because I have been in that line of business for the last seven or eight years.

Mr. WILSON. Now, you spoke about the executive committee being in session at McCoy's Hotel, at Chicago, and you appeared, and from them you claim that you secured permission or authority to come here and present this matter?

Mr. McNEIL. I made no such statement.

Mr. WILSON. You came at their request?

Mr. McNEIL. I said that they requested me to come here.

Mr. WILSON. Yes; that they requested you to come here.

Mr. McNEIL. And talk in favor of that bill. But they sent two men to represent the organization, and I have nothing whatever to do with representing their organization.

Mr. WILSON. They just asked you to come——

Mr. McNEIL. They just requested me, owing to my experience in the matter.

Mr. WILSON. Did they request you as a body or did some individual request you to come?

Mr. McNEIL. The executive body of that organization requested me to come.

Mr. WILSON. They were in session at that time?

Mr. McNEIL. Yes.

Mr. WILSON. Do they pay your expenses while you are here?

Mr. McNEIL. No, sir; I pay my own expenses.

Mr. LITTLEFIELD. Then you really represent the executive body of the society?

Mr. BIRDSALL. No; not at all.

Mr. McNEIL. There are two gentlemen here who represent the executive body of the other organization. On Saturday I was given to understand that the executive council of this organization was going to meet on Sunday. I immediately went from here to New York and attended that meeting on Sunday and had those gentlemen indorse that bill and they have resolutions passed to that effect which they desire to present to you here when they get the floor.

I do not like to take up your time any more; but I desire to say, gentlemen, that I came here in good faith as an American citizen and a man who was a national officer of the association for eight or ten years and have met almost all of the large employers of labor in the

country and officials of railroad companies, and I am proud of the standing I have with them, and I do not think there is anyone who has any right to cast any shadow on the statements that I make, because I have not ever in my life made a statement that I can not sustain.

STATEMENT OF MR. THOMAS R. FOY, NATIONAL ORGANIZER OF THE NATIONAL SOCIETY OF BOILER MAKERS AND SHIP BUILDERS OF AMERICA.

Mr. WILSON. Where do you live?

Mr. FOY. No. 70 Hall street, Brooklyn.

The CHAIRMAN. You are a representative, then, of the executive council of the Boiler Makers and Iron Ship Builders of America?

Mr. FOY. Yes, sir.

Mr. LITTLEFIELD. Let him go right along with his statement in his own way.

Mr. FOY. Well, Mr. Chairman and gentlemen, Mr. McNeil has stated to you that I am national organizer of the Boiler Makers and Ship Builders of America. I was in the city of Baltimore organizing some of our fellow-craftsmen in that city and I got home a few days ago, and I am the president of the district No. 2 of the Atlantic Seaboard of this organization, and while there last Sunday in executive session this matter was brought up with reference to indorsing the ship subsidy bill, as it is now before the committee and in the House also, and it was brought up there, and it was moved and seconded and carried that we indorse the bill and that they send two representatives to ask you gentlemen to favor its passage. Here are the resolutions, Mr. Chairman and gentlemen, and if you desire me to read them I will read them.

(Mr. Foy here read the resolutions referred to as follows):

UNITED BOILER MAKERS AND IRON SHIP BUILDERS OF NORTH AMERICA,
New York, April 8, 1906.

HON. CHARLES H. GROSVENOR,
*Chairman Merchant Marine and Fisheries Committee,
House of Representatives, Washington, D. C.*

DEAR SIR: At a meeting of the United Boiler Makers and Iron Ship Builders of North America, held at the headquarters of the organization, No. 67 St. Mark's place, New York City, on this date, the following resolution was unanimously adopted:

"Resolved, That the United Boiler Makers and Iron Ship Builders of North America approves of the Gallinger shipping bill which passed the Senate of the United States February 14, 1906, and urges its adoption by the House of Representatives as a measure that will restore the building of ocean-going ships to American shipyards and give work to the men employed therein at the American standard of wages, which are about double those paid in foreign shipyards, wherefore we urge every member of the House of Representatives to actively support and vote for said bill, which is in the interest of American labor."

Very respectfully,

NICHOLAS FITZ HENRY, *President.*

Attest:

JOHN J. SWEENEY, *Secretary.*

Mr. SPIGHT. How long has your organization been in existence?

Mr. FOY. Since the 1st of January, 1906.

Mr. SPIGHT. You are not affiliated with the National Federation of Labor?

Mr. FOY. Not just at present, sir. We have applied to the American Federation of Labor for affiliation with them, but have not as yet received a reply from the secretary.

Mr. SPIGHT. You have never been affiliated with them, then?

Mr. FOY. No, sir.

Mr. LITTLEFIELD. Do you mean this particular organization or that the Boiler Makers' Union for the whole country has never been affiliated?

Mr. SPIGHT. This particular organization?

Mr. LITTLEFIELD. This special organization. I understood Mr. Gompers to say that they were affiliated.

Mr. SPIGHT. No, sir; this is another one.

Mr. LITTLEFIELD. Another society?

Mr. SPIGHT. Yes, sir.

Mr. LITTLEFIELD. Is your organization composed of men who were once affiliated with the National Federation of Labor and who left it?

Mr. FOY. Our society is composed of men who formerly belonged to the Brotherhood of Boiler Makers and Iron Snip Builders of America which is now out of existence, as I understand.

Mr. SPIGHT. They were affiliated with the American Federation of Labor during their existence?

Mr. FOY. Yes, sir.

Mr. SPIGHT. Why did they go out of existence? Why was their organization disbanded?

Mr. FOY. That I could not say, why they disbanded. We withdrew from them before they did disband. We withdrew from them on the 17th of December, 1905.

Mr. SPIGHT. And organized this society?

Mr. FOY. And organized this body.

Mr. BIRDSALL. Does your association fix the scale of wages?

Mr. FOY. In any place where we have affiliations there we do. We have extended at the present time. We began in New York City and have extended to Baltimore and Boston.

Mr. SPIGHT. What is the membership of your society?

Mr. FOY. About 1,500. We began with about 180, and we are now 1,500, or almost those figures; within 50 or 60 of it.

Mr. WILSON. What is the name of this man, Fitzhenry or Fitzgerald?

Mr. FOY. Fitzhenry.

Mr. BIRDSALL. Do you prohibit your men from laboring in non-union shipyards?

Mr. FOY. Yes, sir. We would like to show to you that it would be a great advantage to the members of our organization if we had ships built in this country. In our vicinity at the present time there are two shipyards that are closed down entirely for want of work. Mr. Nixon's shipyard, of Elizabethport, N. J., which we hold jurisdiction over with regard to the workers, the Shuter Island Shipbuilding yard, owned by Messrs. Townsend and Downing, the plant of Messrs. Moss at Fifty-sixth street, Brooklyn, is without any kind of shipbuilding. All the work done there is repairs. Our craftsmen at the present time, a good many of them, are working at other business that is entirely foreign to the occupation that they originally started out with, rather than leave home. They have to stay there and accept those conditions.

Mr. WILSON. Mr. Foy, is Mr. Fitzhenry the president of your organization?

Mr. FOY. He is the national president of the organization.

Mr. WILSON. Is he connected with the National Federation of Labor?

Mr. FOY. No, sir.

Mr. WILSON. Is Mr. Sweeny?

Mr. FOY. No, sir.

Mr. WILSON. Have either of them been so?

Mr. FOY. They belonged to bodies that were affiliated there, and which, I understand, were a part of the Brotherhood of Boiler Makers and Iron Ship Builders of America, and they were affiliated with that body.

Mr. WILSON. Do you know why they are not, or why they were deposed from membership in the American Federation of Labor—I mean these men particularly, Fitzhenry and Sweeny?

Mr. FOY. They are not deposed.

Mr. WILSON. Why are they not members now?

Mr. FOY. Because we withdrew from the Brotherhood of Boiler Makers and Iron Ship Builders of America.

Mr. WILSON. Why did you withdraw?

Mr. FOY. Because we did not think we were getting the proper support from those people to aid the shipbuilders of the Atlantic seaboard.

Mr. BIRDSALL. What wages are these men now earning who are engaged in other occupations, as compared with the scale of wages fixed by your organization?

Mr. FOY. You mean the men employed at the other vocations?

Mr. BIRDSALL. Yes.

Mr. FOY. Some of them are earning \$2 a day and \$1.75 a day, while at their own trade \$3 to \$3.25 is our standard scale of wages.

Mr. BIRDSALL. They would be willing to work, I take it, for that \$1.75 or \$2 a day at their work?

Mr. FOY. I beg your pardon.

Mr. BIRDSALL. Would they not be willing to work for that at their own trade rather than to work at any other trade for that?

Mr. FOY. No, sir; I do not think they would. They would consider that their skill calls for more than that.

Mr. SPIGHT. Would you allow them to work for that?

Mr. FOY. No, sir; I do not believe we would.

Mr. WILSON. They are working for \$1.75 a day?

Mr. FOY. Yes.

Mr. WILSON. Where?

Mr. FOY. In New York.

Mr. WILSON. What are they doing?

Mr. FOY. Some of them are cleaning brick and some of them are working at other things; some of them are digging trenches.

Mr. WILSON. At \$1.75 a day?

Mr. FOY. Yes, sir.

Mr. BIRDSALL. What inconsistency would there be in working at their own trade at the same rate of wages? Is it harder labor?

Mr. FOY. It is more skillful labor. The ordinary man can dig a trench or clean bricks.

Mr. BIRDSALL. That is true, but they are now engaged in these other occupations and they would not be willing to go to work at \$1.75 a day at their own trade, you said.

Mr. FOY. Yes, sir.

Mr. BIRDSALL. What I am getting at—and I have not any feeling on the subject one way or the other—is some explanation from you as to why your men are not willing to work at \$1.75 or \$2 a day at boiler making as well as to go to work scraping bricks for that wage?

Mr. FOY. Well, our occupation, according to the skill asks for a higher rate of wages than is required for the man who cleans brick.

Mr. LITTLEFIELD. That is, you have to serve an apprenticeship?

Mr. FOY. We have to serve a legal apprenticeship and serve at small wages in the beginning until we learn the trade thoroughly, and then we expect to get the highest rate of wages going.

Mr. BIRDSALL. The testimony which we have here from the shipbuilders seems to be that they can not build a ship because the boiler makers and those men engaged in those skillful trades in connection with it insist upon a higher rate of wages than they are able to pay.

Mr. FOY. Well——

Mr. BIRDSALL. Now, instead of working at the shipbuilding business, which is your trade, you prefer to clean brick——

Mr. FOY. Well, no; they do not——

Mr. BIRDSALL (continuing). Rather than to suffer a reduction in the wage on your skilled trade. That is the point, as I understand it?

Mr. FOY. No, sir; not really so. As we stand to-day, for want of work we have to do that; for want of work at our own line of business we have to do that.

Mr. WILSON. What are you doing now?

Mr. FOY. I am the national organizer of this association. When they send me on the road I have to go. That is perhaps once a month or so, and I go away for a week, and at other times I work at the trade myself.

Mr. WILSON. What trade?

Mr. FOY. I am a shipbuilder and boilermaker.

Mr. WILSON. Where are you employed now?

Mr. FOY. For a short time I was employed by Franklin Hart & Co. at the Ridgeway waterworks.

Mr. WILSON. When did your employment there cease?

Mr. FOY. Last Saturday evening.

Mr. WILSON. You came down here to appear before this committee, did you not?

Mr. FOY. Yes, sir; I was sent by the organization here.

Mr. WILSON. The organization pays your expenses, I presume?

Mr. FOY. Yes, sir.

Mr. WILSON. What is the scale of wages fixed by your association—take the boilermakers?

Mr. FOY. \$3.20 a day where we put boilers and tanks and such works in buildings. It is \$3 per day on ships where we work.

Mr. WILSON. How many hours a day do you work?

Mr. FOY. Eight and nine hours. We work eight hours a day on old work—that is, repair work—and nine hours on new work.

Mr. BIRDSALL. Now suppose, Mr. Foy, that your men had an opportunity to go to work at their trade at the wages they are now receiving in other occupations, would they be permitted to do so by your association?

Mr. FOY. Yes, sir.

Mr. BIRDSALL. They can go to work at any price they please?

Mr. FOY. At other occupations?

Mr. BIRDSALL. No; at their trade, boiler making.

Mr. FOY. Yes, sir; where we do not control—

Mr. BIRDSALL. But where you do control, could they retain their membership in your organization?

Mr. FOY. No, no, no.

Mr. BIRDSALL (continuing). If they were offered labor at \$2 or \$2.50 a day would you accept it and go to work?

Mr. FOY. We would prevent them from accepting such an offer.

Mr. SPIGHT. And if they accepted it and worked at it you would exclude them, would you?

Mr. FOY. Yes; they would be violating the obligation they had taken to uphold our standard.

Mr. SPIGHT. Is there anything else that you want to state?

Mr. FOY. There is nothing else, unless you make the comparison between the work we do here and the work that is done abroad.

Mr. BIRDSALL. Go on and make any statement you please.

Mr. FOY. The reason why we support this bill so much is because of the amount of men that come from the other side that come here to us in that line. We have, I believe, the largest floating element of any class of mechanics in the country in our line coming here—leaving the other side and coming here—and they tell us that the reason why they leave home is because there are better conditions here under the American rate of wages and the American way of living than in their own country.

Mr. SPIGHT. Are you a native of this country?

Mr. FOY. No, sir; I was born in Ireland.

Mr. SPIGHT. How long have you been in the United States?

Mr. FOY. I am a citizen of the United States.

Mr. SPIGHT. Yes, but how long have you been here?

Mr. FOY. I have been here about twenty-three years.

Mr. LITTLEFIELD. Did you learn your trade in Ireland or in this country.

Mr. FOY. In Scotland, I learned my trade.

Mr. LITTLEFIELD. On the Clyde?

Mr. FOY. Yes, sir; at a place called Dumbarton, 14 miles from Glasgow.

As to the conditions in Scotland, as I know them, the wages were about half the amounts that are paid here.

The CHAIRMAN. For the same hours of labor?

Mr. FOY. Well, yes, sir; they worked at the rate of fifty-four hours a week. That is what they worked there. That is a nine-hour day. They work only half a day Saturday, but they make up the half day during the week. Their standard rate of wages over there to-day is 36 shillings per week, which is the equivalent of \$9. Our standard rate of wages is \$18, twice as much.

Mr. WILSON. Do they do more work in this country than they do in Scotland?

Mr. FOY. Well, we do as fair a day's work here.

Mr. WILSON. What is your opinion; do you think that the workmen of this country do a little more work than they do in the foreign countries or about the same?

Mr. FOY. Well, we do a little more when you come to figure it out in doing day's work.

Mr. BIRDSALL. It is probably true that it is the most skillful men there that emigrate and come here, the men most inclined to better their condition?

Mr. FOY. Not altogether.

Mr. BIRDSALL. The most skillful workmen?

Mr. FOY. A great many of the most skillful men leave there, because they see the great advantage by coming here. Everything else over there is as good in proportion to the rate of wages that they get. A man can live over there, hiring a four-room flat for 14 shillings per month, and in New York where I live I have to pay \$20 a month for the same kind of a house. That is \$20, not 20 shillings. I have to pay that much for the same kind of a house.

The CHAIRMAN. If there are no further questions to be asked of Mr. Foy, who will next address the committee?

STATEMENT OF MR. JOSEPH O'HEARNE, OF NEW YORK CITY.

Mr. WILSON. What is your address in New York City?

Mr. O'HEARNE. 158 Forty-second street.

The CHAIRMAN. Now proceed in your own way.

Mr. O'HEARNE. I came here with Mr. Foy to present that set of resolutions which was drawn up by the United Brotherhood of Boilermakers and Shipbuilders on Sunday afternoon. I was delegated to come on here this morning to present them with him and to say whatever I could in favor of this bill. We were sent here in a hurry, because our organization was not notified that the hearings were taking place before this committee, and therefore, like Mr. Foy, I am practically unprepared to say all that I would like to say in favor of the bill.

We believe that some of the yards in New York that are closed down to-day would be running and there would be plenty of employment for men in our class of trade if this bill became a law. There are five shipyards in the vicinity of New York City, and two to them, as Mr. Foy has stated, are absolutely closed down, and one has gone into the hands of receivers, which is the one at Shutters Island. I don't know so much about that. Then there is the one at Elizabethport, and one on Staten Island, and the Moss Iron Works, and that at Morris Heights. None of these shipyards are running at anywhere near their full capacity at this time. Mr. Foy made the statement that some of our men are working at other employments. It seems to me strange to hear him make the remark after hearing Mr. Cramp state that there was a scarcity of labor.

There may be a scarcity of labor in the neighborhood of Mr. Cramp's shipyard, but there is none in New York City, and our men are not now employed and have not been employed to any large extent for the last four or five years. We could have done in New York City alone at least three times the amount of work in the last five years that has been done there. Our yards are running not more than one-half and some of them not more than one-fourth capacity, and two of them are silent altogether.

Mr. LITTLEFIELD. Do the foreign liners repair in this country to any extent?

Mr. O'HEARNE. To some extent; yes, sir. They do just what repairs are absolutely necessary to bring them across the ocean, but the major portion of their repairs is done on the other side.

Mr. LITTLEFIELD. That is, their general repairs are done on the other side?

Mr. O'HEARNE. Their general repairs are done on the other side; yes, sir.

Mr. LITTLEFIELD. And necessary temporary repairs only are made here?

Mr. O'HEARNE. Yes, sir; and another difficulty that the boiler makers and shipbuilders over here are laboring under is that formerly we built many locomotives in the East and we had many shops, but that work has been taken away from those shops and they build no more locomotives there, and very few are built now in the East outside of Pearson's and what they build themselves. There was the Taunton Locomotive Works, employing 800 men, and the Mason Machine Works in Taunton, employing 1,100 men, and the Whittier Machine Company, at No. 99 Tremont street, Boston, and they have gone out of business.

Mr. WILSON. You say that you did not receive notice that hearings on this bill were being had until Sunday?

Mr. O'HEARNE. No, sir; I did not say until Sunday. We had no proper notification of it. We had notice as long ago as last Tuesday, a week ago to-day.

Mr. WILSON. Who notified you?

Mr. O'HEARNE. Brother Foy, I believe, and it has been in the papers too, to some extent; but we did not have any meeting until Sunday afternoon, and I had no idea that I might be one picked out to come on here, and therefore did not prepare myself as I might have done.

Mr. Cramp has stated before the committee that there is a scarcity of labor. I would like to state that there is no scarcity in our neighborhood, whatever may be the condition in Philadelphia, and I believe that if Mr. Cramp was willing to pay the scale of wages that is now prevailing in the city of New York he would have no scarcity of labor in his yard, even if he had twice the amount of work there that he has at present.

Mr. BIRDSALL. How many of the 1,500 members of your organization are now unemployed?

Mr. O'HEARNE. Probably one-third at all times; at least that, and there are many of the boiler makers and shipbuilders that are not affiliated with us as yet in New York City, and we do not know whether they are employed or not.

Mr. BIRDSALL. You would not let any of your men work who are in your association in the Cramp yards now?

Mr. O'HEARNE. Oh, yes, sir. Formerly when they were affiliated with the old Brotherhood of Boiler Makers and Iron Ship Builders of America they worked for Cramp.

Mr. BIRDSALL. I understand his yard is not a union yard?

Mr. O'HEARNE. His yard is not a union yard; no, sir; but where you can not make any better conditions than what exist in a place we do not ask people to stay idle altogether. But if we were powerful enough we would force Cramp to give better wages than he has been giving, if we could.

Mr. BIRDSALL. That is what I asked Mr. Foy, and he answered it the other way.

Mr. O'HEARNE. We do not like our members to work for Cramp at the present rate of wages, but if we have no power to do anything else—

Mr. SPIGHT. I understood Mr. Cramp to state this morning to the committee that they were paying from \$3.25 to \$4 a day.

Mr. O'HEARNE. He is doing that for piecework; not to any man who is working by the day. I do not know what some pieceworkers can make. I would not be a good judge. I think Mr. Cramp probably spoke the truth.

Mr. CRAMP. I wish to say that I was not cross-examined on any rate of wages paid. It was Mr. Hanscom.

Mr. SPIGHT. I beg your pardon. Now, let me ask you another question. If we started shipbuilding here, would it not make competition fiercer?

Mr. O'HEARNE. Some of those ships when they get old would be replaced, not by foreigners but by American manufacturers under this law, because we would then be producing a larger amount of ships than we are at present, and if we produced a larger amount than we are producing now something would have to give way, and the shipyards in the old countries would have to give way to American progress. One member of the committee made a remark that if the service were well done, would he have any objection to paying for services that were well performed. It is acknowledged that they were well performed; but I should judge that the service could be performed in just as satisfactory a manner by American shipowners and laborers. We would have then not only the good performance of the work, but the money would remain in this country also that we paid for the performance.

Mr. WILSON. What line of work are you following now?

Mr. O'HEARNE. Boiler making.

Mr. WILSON. You are?

Mr. O'HEARNE. Yes, sir; I work for the Ross Iron Works at the foot of Twenty-sixth street.

Mr. SPIGHT. Did you learn your trade in this country?

Mr. O'HEARNE. Yes; I learned my trade in Boston, Mass. I was born in Boston. That is how I happen to know the conditions that prevailed there in former days and what prevail at present. I was in Boston organizing for the Brotherhood of Iron Ship Builders for three weeks out of the last four, and therefore I know what I say is so; and the firms that have gone out of business, I know that is a fact. I do not think it was thoroughly explained about our organization.

The question was asked why we seceded from the old national organization, the Brotherhood of Boiler Makers and Iron Ship Builders. We felt that their greatest energies were given for the benefit of the railroad boiler makers throughout the West and for the upbuilding of the trade throughout that section, and that the boiler makers and shipbuilders were therefore neglected in the East, and they were contributing most of their funds for that purpose and we felt that we ought to have some return, and the statement was issued by Mr. Gilchrist, over his signature, that the men in New York contributed

in round figures \$24,000 and we received in return for the aid of one kind and another \$8,000.

The returns were so small that we thought that if we kept the money in New York and helped to build up on the eastern seaboard the boiler makers and shipbuilders we would get along much better, creating a new union, than we would if we went along with the old brotherhood; and they felt that they must do something and they went out of existence as the Boiler Makers and Iron Ship Builders of America and immediately formed a new union, known as the International Union of Boiler Makers and Shipbuilders and Helpers. We were affiliated through them with the American Federation of Labor, and when we heard that they were out of existence we immediately applied for a charter from the American Federation of Labor, but we have not received any answer as to that. That is the reason that we are not at present affiliated with them.

Mr. WILSON. Why do you want to again affiliate with the American Federation of Labor, if you did not get the right treatment?

Mr. O'HEARNE. We believe, in a general way, it would be for our benefit.

Mr. WILSON. When were you taken out of the American Federation of Labor? When was the old organization taken out?

Mr. O'HEARNE. What is the question?

Mr. WILSON. When was the old organization, to which you referred, taken out of the American Federation of Labor?

Mr. LITTLEFIELD. Withdrawn?

Mr. O'HEARNE. I should judge when they finished their own existence and called themselves a new name, that they must again apply for a new charter from the American Federation of Labor, as the old organization became extinct.

Mr. WILSON. You do not understand my question. When did you withdraw from the American Federation of Labor?

Mr. O'HEARNE. Last December, when we withdrew from the Brotherhood of Boiler Makers and Iron Ship Builders of America.

Mr. LITTLEFIELD. You then started in to organize this new organization?

Mr. O'HEARNE. Yes. We only withdrew in an individual sense. We did not withdraw formally, except by withdrawing from the boiler makers and shipbuilders.

Mr. WILSON. Did the boiler makers and shipbuilders withdraw as a body?

Mr. O'HEARNE. They withdrew as a body and formed a new convention.

Mr. WILSON. All of them?

Mr. O'HEARNE. Yes, sir; all that was left of them. They gave themselves a new title. Of course I can not speak of the American Federation of Labor; but I should suppose they would have to apply for a new charter from them.

Mr. WILSON. I can not see why you withdrew from the American Federation of Labor and formed a new organization and then again applied under a new name for admission into the American Federation of Labor.

Mr. O'HEARNE. We withdrew from the old Brotherhood of Boiler Makers and Iron Ship Builders of America, and by so doing and forming

a new organization we were no part of the American Federation of Labor at all. There was no formal withdrawing at all; but the moment that we came into existence under our new title we applied for a charter from the American Federation of Labor, and of course we had no standing with them while the other organization was in existence, and then we reapplied for the charter the moment that we heard they had gone out of existence.

Mr. WILSON. Is your organization still in existence?

Mr. O'HEARNE. Virtually, it is. They went out of existence for a moment and then formed a new organization under a different heading.

Mr. WILSON. Did they then reattach themselves to the American Federation of Labor?

Mr. O'HEARNE. I do not know about that. I should think——

Mr. LITTLEFIELD. The difficulty apparently was that you did not like the policy of the old boiler makers' union?

Mr. O'HEARNE. No, sir; that is it.

Mr. LITTLEFIELD. And it was not that you did not like the American Federation of Labor?

Mr. O'HEARNE. We had no quarrel with them.

Mr. LITTLEFIELD. But you simply did not like the old boiler makers' union?

Mr. O'HEARNE. Yes.

Mr. LITTLEFIELD. A lot of the men went out and organized a new union, and now you are endeavoring to get that new organization affiliated with the general federation of labor?

Mr. O'HEARNE. Yes, sir.

Mr. LITTLEFIELD. With whose policy up to the present time you have no fault to find?

Mr. O'HEARNE. Yes, sir.

Mr. LITTLEFIELD. That covers the situation?

Mr. O'HEARNE. One fault we have to find is this, that they are in opposition to this bill, which we very much favor. Of course for the life of me I can not understand why Mr. Gompers, a cigar maker, would oppose a measure by which the boiler makers and shipbuilders were going to be employed, as they will if this bill should become a law. I do not understand why he should interfere in a matter of that kind.

Mr. WILSON. Who were the old officers of the boiler makers' union?

Mr. O'HEARNE. George F. Dunn.

Mr. WILSON. He is now——

Mr. O'HEARNE. National president.

Mr. WILSON. And that organization, the old boiler makers' organization from which you withdrew, is now a member of and affiliated with the American Federation of Labor, is it not?

Mr. O'HEARNE. I do not know that they are.

Mr. WILSON. Do you not know that they are?

Mr. O'HEARNE. No, sir. As I stated, they changed their name and therefore their existence at the same time. When they were a member of the American Federation of Labor they were called the National Boiler Makers and Iron Ship Builders of America. They are now called the International Boiler Makers and Ship Builders and Helpers of America. Therefore I do not know whether they are

affiliated with the American Federation of Labor or not. I could not make that statement.

Mr. WILSON. They are, are they not, Mr. Grimes?

Mr. GRIMES. Yes, sir.

Mr. O'HEARNE. They are?

Mr. WILSON. Yes, sir.

Mr. O'HEARNE. It must have taken them a very short time to accomplish it.

Mr. WILSON. They may never have withdrawn from the American Federation of Labor.

Mr. O'HEARNE. It may have been a transfer. I thought it was dead.

Mr. BIRDSALL. Now, to sum up your view of this thing, you, with other men employed in shipbuilding, have established what you think is a fair American wage for your labor?

Mr. O'HEARNE. Yes, sir.

Mr. BIRDSALL. That will enable you to live respectably and buy such things as you need according to the American mode of living, and live as Americans do?

Mr. O'HEARNE. Yes, sir.

Mr. BIRDSALL. That rate of wage is higher than the shipbuilder can afford to pay?

Mr. O'HEARNE. I do not think so. I differ with you on that question.

Mr. BIRDSALL. Well, you have heard Mr. Cramp's statement. He says that is the only difficulty.

Mr. O'HEARNE. Mr. Cramp is not very poor, I don't think.

Mr. BIRDSALL. When they have to compete with foreign labor then it is more than they can afford to pay?

Mr. O'HEARNE. They do not have to compete with the foreign labor in everything. It is only on the hull of the ship.

Mr. BIRDSALL. Do you think that the shipbuilder here can pay your wages and compete with the foreign shipbuilder?

Mr. O'HEARNE. No, sir; I do not. I make no such statement.

Mr. BIRDSALL. I did not suppose you did. Now, your idea is that the Government will make up that difference from the public purse in order to stimulate shipbuilding?

Mr. O'HEARNE. In the same manner as they did on American tin, by direct bounty or tariff, or in some form. I would be in favor of it in any shape. I believe it is absolutely necessary in establishing any large business that you must have good financial assistance at the start. I think if this bounty was given for a period of years, it might be a long period, but I think that the time would come in shipbuilding the same as it has with other manufactures in this country, where we could compete with the foreigner on his own terms. I believe the American laborer is more intelligent and can accomplish more in the same number of hours than the foreign laborer in any trade.

Mr. BIRDSALL. I think my question has drawn what you wanted to state and had not theretofore stated.

Mr. O'HEARNE. Yes, sir. As I stated, I came here almost unprepared with any kind of notes or anything to allow me to speak at any length on this bill, but I have read the bill and I think I understand

its good points in some sense and I believe it would be beneficial to a large number of workmen, especially on the Atlantic seaboard if it became a law, and if we could keep that money in this country it must necessarily benefit every other trade, as the American boiler maker and iron worker and blacksmith and all marine workers, and all these people will buy their goods in this country, and therefore every shopkeeper will be benefited in proportion, and I believe it would do a great amount of good.

Mr. BIRDSALL. You realize, of course, that in the process of our evolution many trades have been driven out of existence?

Mr. O'HEARNE. Yes, sir.

Mr. BIRDSALL. You take the wayside blacksmith who used to hammer out horseshoes from bar iron and all that sort of work and he has practically gone out of existence.

Mr. O'HEARNE. He never did amount to much anyway. He was only a primitive fellow who only waited for somebody better to take his place.

Mr. BIRDSALL. That is also true in regard to the millers.

Mr. O'HEARNE. What?

Mr. BIRDSALL. In the milling industry that is true.

Mr. O'HEARNE. I do not know about that. Of course there are many very large mills, but there are small mills grinding meal in many places all over the country just the same as before.

Mr. BIRDSALL. It has been concentrated, so that the mills throughout the country are unable to meet the competition, and the occupation of the little mill is gone.

Mr. O'HEARNE. I guess they are employing fully as many persons now as ever; but there are more blacksmiths now than when the little village blacksmith did have his place.

Mr. BIRDSALL. Can you give us an estimate of the number of persons in your trade—boiler makers—in the country, approximately the number of persons engaged in that trade?

Mr. O'HEARNE. I should judge in round figures that we must have upward of 100,000 workmen in the United States. We have had at one time in our organization over 30,000 men enrolled.

Mr. BIRDSALL. And how many of those would actually be engaged in shipbuilding?

Mr. O'HEARNE. At present employed there would not be one-half; but if this bill became a law I believe five-sevenths of them would be employed in shipbuilding.

Mr. BIRDSALL. You think that proportion ought to be if the industry was prosperous?

Mr. O'HEARNE. Yes, sir; that is, if this prosperity comes from this bill that we hope for. Besides the boiler makers and shipbuilders being benefited there will be many other people benefited, such as the machine shops and the copper workers and blacksmiths, who would be increased largely, and in places where there are now many unskilled laborers their children at least would become experts. There is very little chance for poor men's children in the large cities now, and the more work that would come to the Atlantic seaboard the better their chances in life would be, I think.

Mr. WILSON. You would be against this bill if it were not for the help it would give to your class of labor?

Mr. O'HEARNE. I do not know of any reason why I should oppose that bill, even if I was not to get any benefit from it.

Mr. LITTLEFIELD. Now, Mr. Chairman, if there is not anyone else Mr. Sewall would like to be heard.

Mr. O'HEARNE. I think that that is about all that I can state at this time.

STATEMENT OF MR. SAMUEL S. SEWALL, OF BATH, ME.

Mr. SEWALL. Mr. Chairman and gentlemen, what little I have to say I wish to try to confine closely to my own experience in business. My firm was established in 1823, and from that time until 1903 we have carried on the business of constructing sailing ships for the deep-water trade, and from 1823 until the present time we have been engaged in operating the vessels in the deep-water trade which we have built in our own yards.

For a great many years those vessels were engaged almost entirely in foreign trade. Later, when California and the Pacific coast had been developed and there was a demand there for merchandise and a demand also for vessels to take California wheat to Europe, then our vessels engaged in loading merchandise—for instance, at New York—and taking it to San Francisco and other Pacific coast ports and there loading with grain for Europe and proceeding from Europe to New York, and then repeating the voyage. So that at that time our vessels were partly in the foreign trade and partly in the Cape Horn coastwise trade. We continued in that trade until France adopted a system of bounties, and gradually the French sailing ship crept into the California wheat trade. Those bounties were based upon the miles that the ship sailed. She was only earning bounty when she was at sea. Consequently she tried to get the quickest dispatch possible in port, and in order to obtain it she was willing to take a little under the lowest charter on the freight, provided she could get exceedingly quick dispatch in port, and would load in ten days, say, where the ordinary ship would be twenty-five days in loading.

Another French ship would then come along, the market having been established by the first one, and would make a still further concession, and those ships increased in numbers, and in the course of time practically through their agency those freights were so reduced that no other ship could run in that trade at a profit. Even the British ships were laid up for a number of years, and there are some now at San Francisco which have been there for two or three years. We at that time would have been obliged to retire from the deep-water trade had it not been for the annexation of Hawaii, which occurred about that time. That put the trade between Hawaii and the United States under the coastwise laws, and our ships were transferred to that trade and have been engaged in the Hawaiian trade, bringing sugar from Hawaii to Philadelphia, up to the present time. The trade is fairly satisfactory. We have been able to obtain rather an advantage over other American owners of sailing vessels, owing to the fact that our vessels at the present time are largely of steel construction, whereas very few of the other sailing vessels are; and the shippers of sugar cargoes, which are very valuable cargoes, are able to obtain a

lower rate of insurance than they can get in wooden vessels, which makes a great saving.

Mr. LITTLEFIELD. Your vessels are all sailing vessels?

Mr. SEWALL. Yes, sir; our vessels are all sailing vessels. Now a new factor has come into the matter which will absolutely take that business away from us on the 1st day of next January. The Tehauntepec road has been built across Mexico from Coatzacoalcos to Salina Cruz, about 193 miles in length. It was built by large government grants from the Government of Mexico, and at the present time it is really a copartnership between Pearson & Sons, of London, who furnished most of the capital, and the Mexican Government. That road has made an arrangement with the American Hawaiian Steamship Company, which formerly carried these sugars from Hawaii to Philadelphia in competition with our ships, and together they have made a contract with the planters of Hawaii whereby they will carry almost the entire Hawaiian crop of sugar from those islands to our Atlantic coast.

Now, I was driven out of the foreign trade by the subsidies paid by the French Government to their ships. I am driven out of our Cape Horn coastwise trade by a transportation line, one link of which is a British railroad on Mexican soil. Of course there is no question but that the American steamship company is perfectly within its legal rights in making that arrangement with the Mexican road. There is a statute which gives them the right to do so. But I do not know how that statute got into our laws. It was probably brought there with this project in view. But, admitting that it is legal, nevertheless it is hard for an American ship to be driven out of the Cape Horn coastwise trade by a foreign subsidy; it does not make any difference whether it is to a railroad or a ship. So that on January 1 next those ships will be entirely out of that trade.

I might get a cargo or two a year if I wanted them, but practically those ships will be out of that trade, and I know of no other trade into which they can be put and in which I can run them without a direct and serious loss. They are ships which could not be duplicated to-day under the present market cost of material and labor for less than about \$200,000 each, and they will have to be sacrificed, so far as I can see, for whatever they will bring, and the chances are that they may be sold for barges and dismantled and towed up and down our coast, manned by, say, four tramps instead of a crew of 30 to 35 seamen, which is now their usual complement.

Mr. SPIGHT. How many ships have you in your fleet?

Mr. SEWALL. Ten at the present time. I lost two very large ships last year, and I have taken no measures to replace them.

Mr. LITTLEFIELD. You have not done any building for two years, have you?

Mr. SEWALL. My yard has been absolutely shut down for three years, owing to the fact that our ships were not profitable at a capitalization of what they would have cost to build during the last three years. We were fortunate enough to build a number of our vessels a few years ago when material was very much lower than it has been of late.

Mr. LITTLEFIELD. Has the yard ever been shut down for that length of time before?

Mr. SEWALL. It was never without something that was at least projected. We have sometimes had to lie off for lack of material.

Mr. LITTLEFIELD. For a few months or so?

Mr. SEWALL. Yes, sir; but it was never out of business really in seventy years prior; but for the last three years there has not been a blow struck or a mechanic of any kind employed in that yard.

Mr. LITTLEFIELD. And you are fitted so that you can build both wood and steel?

Mr. SEWALL. I can build either; but I have adapted the yard to steel, and I would not build anything else. The day of the wooden ship for deep water voyages has gone by.

The CHAIRMAN. Do you think you would put your yard in operation again if this bill should pass?

Mr. SEWALL. I have been nearly a year in perfecting plans for another vessel—plans upon which I hope to build a number of vessels—a sailing vessel, but of a little different type, a more economical type, as I believe—a vessel to carry some 6,000 net tons of cargo, and her cost at the present market rate of material and labor would be about \$250,000. I think I can run that ship, I know I can run that ship, even at that cost, if I can have this bill without amendments which would emasculate it.

Mr. SPIGHT. Without the competition of these French subsidized ships would you be able to run your ships in the over-sea trade?

Mr. SEWALL. I continued to run my ships in the over-sea trade until they came in as a factor.

Mr. SPIGHT. Is that the only reason, then, that you can not run them profitably? Is that the only competition—with these French ships—at San Francisco?

Mr. SEWALL. They reduced the rate. I could run with the English ships prior to that time, but they have reduced the rate to such a low figure that I have not been able to operate in that trade since at a profit.

The CHAIRMAN. Your ships were engaged in the coastwise trade, and that was more profitable. They were not engaged in the foreign trade?

Mr. SEWALL. They were until the California trade developed. We have run them entirely in the foreign trade; but after the California trade developed, of course that was better than the foreign trade, taking it year in and year out.

The CHAIRMAN. How long ago did that trade develop?

Mr. SEWALL. That came on in the sixties and seventies.

Mr. BIRDSALL. What would be a fairly remunerative—I believe that is the term they are using now—rate per ton for ships of that class that you have mentioned from New York to Liverpool—for instance, on provisions?

Mr. SEWALL. I would say that no ships of that character have been engaged in the Atlantic trade for a great many years. The steamers have taken that trade entirely.

Mr. BIRDSALL. They could not compete with them at all?

Mr. SEWALL. No, sir; the ships of that character are only used on long voyages.

Mr. BIRDSALL. Sailing vessels could not compete in that trade?

Mr. SEWALL. No, sir; sailing vessels could not compete in that trade.

Mr. BIRDSALL. Are you sufficiently familiar with the cost of operating the steam vessels to say what would be fairly remunerative on them from Liverpool to New York?

Mr. SEWALL. No, sir; I am not.

Mr. LITTLEFIELD. Is not the large-sized steel vessel practically eliminated from the coastwise trade because there are only a few ports on the Atlantic coast where they can lie afloat?

Mr. SEWALL. No, sir; our ships draw no more water than many of the fore and aft rigged coastwise vessels; but they can not compete with them, because they are square rigged, which interferes not only with the handling of cargoes, like coal, but they carry a great many men, and they are more——

Mr. LITTLEFIELD. They can not lie aground so safely as a wooden vessel can?

Mr. SEWALL. They are never allowed to lay aground.

Mr. LITTLEFIELD. That is what I said. So that in the shallow water ports they are practically prohibited, the steel vessels?

Mr. SEWALL. We do not like to have them lay aground.

Mr. LITTLEFIELD. That is, they will not bend and give and come back again like a wooden vessel?

Mr. SEWALL. No, sir.

Mr. SPIGHT. It was stated by the Merchant Marine Commission, particularly on the Pacific coast in 1904, that the French Government was millions of dollars behind on their subsidies to their ships, subsidies that had been earned and were unpaid, and there was an intimation that that policy on the part of the French Government might be withdrawn. If that should be so, could you reenter the foreign trade with your vessels?

Mr. SEWALL. I presume I could.

Mr. SPIGHT. The competition with the ships of other nationalities would not be a deterrent?

Mr. SEWALL. I would not enter that trade in competition with the ships of other nationalities if there was anything else that I could do. It would not be a remunerative trade for me to engage in at the lowest rate that those foreign ships would take, but at present ships of Germany, France, and Great Britain, sailing ships, are working under a combination, and they are running at rates of freight which would not be profitable to my ships, even now. I could for a voyage or two, while waiting for something better, run my ships and make both ends meet.

Mr. BIRDSALL. It would cost you more to maintain your ships?

Mr. SEWALL. It would cost me more to maintain my ships than it would those others.

Mr. HUMPHREY. Do you know anything about the working of that new trust to operate sailing ships that has been formed on the Pacific?

Mr. SEWALL. I know that it is working and that its ships will not accept under certain rates which have been agreed upon. It does not apply to all freights all over the world, but it seems to apply to freights between this country and other countries, very largely.

Mr. HUMPHREY. Each one of those vessels is free to charge whatever it pleases, coming this way, leaving a European port they can charge anything they wish to, but leaving an American port they can not go below a minimum price.

Mr. SEWALL. Yes, sir; they can not go below a minimum price.

Mr. HUMPHREY. What is the fine which is provided for a violation of those rules?

Mr. LITTLEFIELD. You mean in the combination?

Mr. HUMPHREY. Yes, in the combination.

Mr. SEWALL. It is a large money fine. I do not know just what it is.

Mr. HUMPHREY. Now, you say ten of your ships would be out on the first of January or practically so; did you say ten?

Mr. SEWALL. All of our ships that are engaged in the Hawaiian trade.

Mr. LITTLEFIELD. That is in competition with the line engaged in this new enterprise?

Mr. HUMPHREY. In connection with the railroad?

Mr. LITTLEFIELD. Yes.

Mr. HUMPHREY. Now, we had a gentleman here talking. He did not appear before the committee as a committee, but I have received a dispatch from him that he would be here to-morrow, and the complaint they are making is this. He represents the lumber trade on Puget Sound.

Mr. LITTLEFIELD. Our friend Skinner?

Mr. HUMPHREY. Yes. He says that there has been no favorable tonnage for lumber from Puget Sound to the New York markets. Are your vessels suitable for that trade?

Mr. SEWALL. My vessels are not particularly suitable for that trade. My steel vessels are constructed with three sets of stanchions all the way up, from the bottom of the ship all the way up to the upper deck, and those stanchions naturally interfere with the stowage of lumber in long lengths, and very large sizes, such as that Pacific coast lumber, some of it running up to 36 inches square.

Mr. LITTLEFIELD. Extremely difficult to stow?

Mr. SEWALL. Yes, sir.

Mr. HUMPHREY. I received a dispatch from there yesterday evening and some vessel had just been chartered, and I think the rate fixed was \$15.50 a thousand. Would your vessels carry for that rate from Puget Sound?

Mr. SEWALL. Possibly that was one of my vessels that was referred to.

Mr. HUMPHREY. I think it was the Babcock.

Mr. SEWALL. No, sir; but our ship the Shenandoah, now in the Philippines, has been chartered to carry from Puget Sound to New York at \$15.50.

Mr. HUMPHREY. Perhaps you can help me to identify it. He gave the name of the vessel and the rate.

Mr. SEWALL. That same rate would apply to our charter. We have made a charter. That is a new business that has only developed in the last six or eight months. The Oregon lumber that came to eastern markets prior to, say, six months ago, was either spars, which came in comparatively small quantities, or lumber of extreme lengths, or of qualities absolutely clear of sap and knots, such lumber as could not be obtained from other sources. Recently the price of yellow pine has so advanced in eastern markets that they have been able to ship into New York via Cape Horn lumber of ordinary sizes to take the place of what came from the South until lately.

Mr. LITTLEFIELD. That is a condition that has not existed until within the last few months?

Mr. SEWALL. Not until recently. It is due to prices that seem abnormally high, and we have no confidence that that business is going to continue. It may or it may not. We can not tell.

Mr. HUMPHREY. If it does continue and they can afford to pay the price they are paying now, could ships be obtained for the work or not?

Mr. SEWALL. Well, we must have business outward for those ships.

Mr. HUMPHREY. Even at that price?

Mr. SEWALL. There would be no money even at that price for a ship, unless she could get a fair rate of freight outward around Cape Horn.

Mr. HUMPHREY. With this new arrangement made with the Mexican Railroad there would not be much prospect of getting cargoes out?

Mr. SEWALL. Very little. They intend to carry most of the cargoes of merchandise, sugar, and anything that can be handled over their railroad, over that line.

Mr. HUMPHREY. Do you know how long it will take them to send freight from New York to Puget Sound over that route when it is in running order?

Mr. SEWALL. They figure on carrying freight from New York to Hawaii in something like three weeks. I think the time would not be much greater than that to Puget Sound.

Mr. HUMPHREY. About the same time?

Mr. SEWALL. Yes, sir; very likely.

Mr. LITTLEFIELD. What would be the time of the sailing voyage around Cape Horn?

Mr. SEWALL. From four to five months—four months coming one way and perhaps five months going the other.

Mr. HUMPHREY. It would take a ship practically a year to go to Puget Sound and load with lumber and come around and unload?

Mr. SEWALL. All of a year.

Mr. LITTLEFIELD. That is the loading and discharging?

Mr. HUMPHREY. Yes.

Mr. LITTLEFIELD. And sailing?

Mr. HUMPHREY. What I wanted to bring out was that the ship would not be entitled to the \$5 subsidy from Puget Sound—that is, if you were going for a trip around you would not get \$5 subsidy.

Mr. SEWALL. It would take a year to make two trips, one out and one back.

Mr. LITTLEFIELD. A round trip?

Mr. SEWALL. Yes, sir; a round trip. Now, it seems to me, gentlemen, that this is simply a matter of protection. Building ships for the foreign trade is a manufacturing industry. All other manufacturing industries, so far as I know, are protected by a tariff; they are all prosperous. This one manufacturing industry is entirely unprotected, and it is not prosperous. It is decaying and nearly lost. Now, whether we believe in the policy of protection under which the affairs of this Government have been conducted for a good many years or whether we believe in free trade I think any fair man would say that if we are conducting the affairs of the country under a protective policy it is entirely unfair to leave one industry outside of the wall. If we were on a free-trade basis, shipbuilders could

afford to take their chances with other industries, and we would not be at anything like the disadvantage at which we are while we have no protection and have to pay tribute to all these protected industries in order to complete our product, which we must sell in competition with the whole world.

Mr. HINSHAW. If we had free trade, wherein would the shipping industry be benefited? What particular item, in material or in labor?

Mr. SEWALL. Of course my position is that free trade would not benefit the shipping industry, but the position now is that we are actually up against free trade with our product, which is the ship in the foreign trade, and in building her we have to pay the protection which is given to the material as well as the labor.

Mr. HINSHAW. According to the statement made this morning by Mr. Cramp, the material in this country does not cost any more than it does abroad, and therefore would not cost any more than it does under free trade.

Mr. SEWALL. The material in this country can not cost any more for a ship for foreign trade than it does abroad, because there is a statute allowing all material for the construction of a ship for the foreign trade to come in free of duty. One ship in our yard was built under that provision, and we imported all the material that went into the construction of the ship from Scotland.

Mr. LITTLEFIELD. What ship was that?

Mr. SEWALL. That was the *Dirigo*.

Mr. LITTLEFIELD. So that you are under free trade with regard to all the factors except it be labor?

Mr. SEWALL. Labor is the great thing.

Mr. LITTLEFIELD. What would be the price of labor under free trade, as compared with what it is under the present policy?

Mr. SEWALL. Very much lower. In the course of time perhaps the condition of the laborer in this country would come down to what it is in the old countries, and of course we do not want that, and no one wants it.

Mr. HINSHAW. No.

Mr. LITTLEFIELD. And the price of labor in your employ is regulated by the price in other employments, and you have to level up to those?

Mr. SEWALL. Yes, sir.

Mr. LITTLEFIELD. That is what you mean by the free trade proposition?

Mr. SEWALL. Yes.

The CHAIRMAN. I wish you would tell the committee what your experience has been as to the cost of operating your ships, and the foreign ships that you come in competition with.

Mr. LITTLEFIELD. You run up against the same proposition there?

Mr. SEWALL. Yes. Of course the cost of operating the ships puts a perpetual burden on us, because we have to figure the interest on the increased capital and the insurnace on that, and the depreciation on that, and then in addition to that we have to take into consideration the higher wages which are paid on our ships, particularly to the officers of the ships, and also the higher cost of provisions. We have much larger store bills than will be found on ships of foreign countries in the foreign trade.

Mr. WILSON. Let me ask you this question there. Is it not a fact that the shipowners, most of them, anyway, in purchasing their goods, buy them in a foreign country?

Mr. SEWALL. That applies to all foreign lines.

Mr. WILSON. I mean in this country.

Mr. SEWALL. It does not apply to American ships.

Mr. WILSON. Do you do that in the foreign trade?

Mr. SEWALL. I make it a point to fit out with provisions in this country. Take a ship sailing from New York to Japan, and then to Hawaii, and from Hawaii back to New York; my instructions are to fit out that ship for the round voyage in New York with such provisions as would last for a voyage of that length. Of course certain kinds of provisions, which we call fresh provisions, and flour, which will not stand at sea over six months or so, we buy wherever we can.

Mr. LITTLEFIELD. You are compelled to do that?

Mr. SEWALL. Yes; but staple articles I put on the ship when she leaves.

Mr. WILSON. You have the right, have you not, to buy just sufficient to carry your crew to the nearest foreign port, and then purchase there?

Mr. SEWALL. Yes, sir; but in the sailing ship we can not always tell what the length of the voyage may be. It may, perhaps, in extreme cases run up to twice what it would in another case, and we have to provide against those contingencies.

Mr. WILSON. Yes.

Mr. SEWALL. I do not mean to say but what perhaps the price would not vary very much. On some articles it would be cheaper for us to fit out in New York. That is not the point. But the scale of wages, the scale of provisions, is higher.

Mr. LITTLEFIELD. That is, the quality?

Mr. SEWALL. Yes; and is higher than on many of the foreign ships of the same quality.

Mr. LITTLEFIELD. It is not that you have to pay more for different articles, but you have to have more articles and different kinds of articles?

Mr. SEWALL. Yes, sir.

Mr. LITTLEFIELD. It may be that a lot of the food products you might buy cheaper in New York than in Japan?

Mr. SEWALL. Yes, sir.

The CHAIRMAN. It costs more to build a ship in our yards than it does to build in the foreign yards. I think it is well settled that it costs more to operate the ship afterwards. Now, I would like to get your opinion as to what this bill would do, if it were passed, toward equalizing the difference of those costs. Some people undertake to say that it will not do it, because it does not go far enough.

Mr. LITTLEFIELD. As a practical man you want his judgment as to whether this amount is reasonable for the purpose?

The CHAIRMAN. As to whether it is in fact a practical amount to spend on operating the ships.

Mr. LITTLEFIELD. Of course.

Mr. SEWALL. So far as my experience goes, it is my opinion that it will equalize things. I would not hesitate to operate under the bill.

Mr. LITTLEFIELD. That is, you would get a reasonable rate of return on the investment?

Mr. SEWALL. Yes, sir. That is, not a large return; it might not be an attractive return for men engaged in promoting street railroads and larger enterprises in which they are accustomed to make very much larger percentages than I have been accustomed to make; but this is my business, and I am contented to remain in it provided I can make reasonable returns.

Mr. WILSON. Are you making a fair return now on your investment? Take your ten ships, just the value of these ten ships, are you making a fair return on that investment?

Mr. SEWALL. I am not making a fair return on the capital invested. That is, I could invest the money in securities that are absolutely safe, and all I would have to do would be to collect the income from them, and I could come out of it as well in the year as I do now and without taking the risk and putting in the time.

Mr. BIRDSALL. Is not this danger to be apprehended, Mr. Sewall, to a man with ships such as you now have; would not this bill stimulate the construction of steam vessels, and if so, would you be able to compete with them in any specific trade, or would it not result as it has now between New York and Liverpool, in sailing vessels being driven from the trade?

Mr. SEWALL. I will admit that the sailing vessel in a way is out of date, that steam tonnage almost exclusively will be built under this bill, and I only continue in this line of business because I understand it, and I understand that there is room for a limited number of sailing vessels and there will be for years.

Mr. BIRDSALL. But as a general proposition you think sailing vessels would be practically driven from the ocean?

Mr. SEWALL. Certainly. That is admitted on all sides.

Mr. BIRDSALL. Now, I would like to put a proposition to you and get your view of it. Suppose that this bill is in operation, and a line is established of American vessels to ply between New York City and Rio Janeiro. Our principal exports to that country during the time we did have business with them were foodstuffs, if I recollect, and meats from, principally, the western country. Now, assume that a New York firm desires to ship a cargo of that kind to South America, and there are competing American and British ships, would an American vessel have an advantage of \$5 a ton by reason of this subsidy?

Mr. SEWALL. I think so.

Mr. BIRDSALL. What would be the natural method of competition?

Mr. SEWALL. The American ship, I should say, would compete with British ships advantageously at \$5 a ton yearly subsidy. But there is this also to consider. There are lines of regular steamships projected under mail section of this bill.

Mr. BIRDSALL. I am only assuming that there is no mail line there. Now, in order to secure that freight the foreign vessel has to bid to a point at which it would be unprofitable for an American vessel to carry it.

Mr. SEWALL. Yes, sir.

Mr. BIRDSALL. And the American vessel would have the advantage of \$5 to begin with?

Mr. SEWALL. She would have undoubtedly to give up something of that in order to meet the lower bid of the foreign vessel.

Mr. BIRDSALL. She would have to give up a portion of the subsidy?

Mr. SEWALL. Yes, in order to get the business from the foreign ship.

Mr. BIRDSALL. You would do that by reducing the freight rate?

Mr. SEWALL. The freight rate would be reduced.

Mr. BIRDSALL. That would accrue to the owner of the freight, would it not?

Mr. SEWALL. I do not see why this bill is not in the direction of lower freights.

Mr. BIRDSALL. It seems so to me.

Mr. SEWALL. It seems so to me.

Mr. BIRDSALL. That is a point that I am arriving at.

Mr. SEWALL. Now, a question was asked this morning as to how long this subsidy would have to be continued in order to give us a start which would allow us to keep up a merchant marine, and my opinion as to that is that while we may be able to approximate the cost of ships built abroad, if we had work enough to keep our yards going continuously, we probably never would be able to get down exactly to their cost. It would always cost us more here on account of our higher labor, no matter how efficient it is. And I therefore believe we would have to continue that policy of protection to our ships in the foreign trade just as long as we continued our policy of protection in this country. And why should we not? If we are willing to continue a policy of protection to the other industries of this country, why should we not be willing to follow a policy of protection for this one now unprotected industry?

Mr. LITTLEFIELD. Each policy being based on the extra rate of wages?

Mr. SEWALL. Yes, sir. I take it that whether you call it a subsidy or a tax the effect upon the taxpayer or citizen is the same, whether it is protected by a tariff or by a subsidy, and the taxpayer pays it, because he thinks that he will get something for it in return which will better his condition and the condition of the country.

Mr. SPIGHT. In other words, you think if this system or policy is once inaugurated it must be made perpetual?

Mr. SEWALL. No, sir; not perpetual unless our system of protection is perpetual.

Mr. SPIGHT. As long as the policy of protection is continued this must be continued.

Mr. SEWALL. I take it we can not run our ships unless they are taken into the protective policy.

Mr. WILSON. Take the ten vessels that you now have on the sea, what is their registered tonnage?

Mr. SEWALL. They are of varying sizes, from 2,000 tons to 3,000 or 3,500 tons register.

Mr. WILSON. You do not know the total, do you, of those vessels?

Mr. SEWALL. It is about 28,000 or 30,000 tons.

Mr. WILSON. What do you consider that out of this subsidy, if this law goes into effect, you will receive?

Mr. SEWALL. It will depend upon the time my ships are engaged in the foreign trade.

Mr. WILSON. Suppose they are continually engaged?

Mr. SEWALL. They would receive their \$5 a ton on their gross tonnage.

Mr. WILSON. On the 30,000 tons?

Mr. SEWALL. Yes, it is about 30,000 tons; and I would build more vessels to get the same.

Mr. HINSHAW. About what is the value of those ten vessels, if that is a proper inquiry?

Mr. SEWALL. Certainly. The present cost of a vessel of, say, 3,000 tons register—I am speaking of the sailing ship—to carry about 5,000 tons dead weight of cargo, would be about \$200,000 to-day. We would not use foreign material in the construction of those ships if we could get it, as we can, at the same price to-day. Those ships, as they have done, may want to engage in the deep-water coastwise trade, from which we would be prohibited if we used the foreign materials, and even if the foreign material could be obtained at a lower price we would not use it to-day to displace American material.

Mr. LITTLEFIELD. Is your firm the sole owner of these ships?

Mr. SEWALL. No, sir; there are many small owners who own small portions.

Mr. LITTLEFIELD. What proportion does your firm hold, roughly speaking?

Mr. SEWALL. We hold enough to control the ships.

Mr. SPIGHT. How much? I did not hear you.

Mr. SEWALL. We own enough to control the management of the ships.

Mr. SPIGHT. The majority?

Mr. SEWALL. Yes.

Mr. BIRDSALL. I understand that under the present law in regard to ships you can import everything free of duty, even to the nautical instruments that go on the ships?

Mr. SEWALL. I have imported under this clause nautical instruments for almost all of the ships. Not only were they cheaper, but there was nothing in this country that I knew to be so accurate. The compensating binnacle and the patent sounding machine are beyond anything in this country, so far as I know.

Mr. BIRDSALL. You do not mean to be understood from your previous remark that you could import foreign material and pay the freight on it and then meet on an equal basis with foreign shipbuilders?

Mr. SEWALL. No, sir; I mean the freight is added cost.

Mr. BIRDSALL. You said that you would not use foreign materials even if they were as cheap.

Mr. SEWALL. I mean that I would not use it even if it cost less.

Mr. BIRDSALL. Those are patriotic reasons?

Mr. SEWALL. No, sir; they are business reasons, because the foreign material would restrict me to foreign trade all the time, whereas if I paid a little more and put in American material I could engage in either foreign or coastwise trade with that vessel.

Mr. BIRDSALL. It is not a fact, is it, that you could import all the shipbuilding materials for the construction of a ship exclusively for foreign trade and then meet the foreign shipbuilder on an equal basis, outside of the question of wages?

Mr. SEWALL. We could nearly do it at the present time, so far as material is concerned. There is very little difference at the present time.

Mr. HINSHAW. I have made a little calculation here. See if it is correct. You have ten vessels, amounting to 30,000 tons. If you put

them in foreign trade the subsidy would be, at \$5 a ton, \$150,000 a year, and if your vessels cost, as you suggest, \$200,000 apiece, that would be \$2,000,000 and the subsidy would be about 7 per cent.

Mr. SEWALL. Yes, sir; that is practically correct. I do not think that our tonnage would run up to 30,000 tons, because the ships would not average 3,000 tons; but for the sake of the illustration you are practically correct. The insurance alone on our ships costs 6 per cent a year.

Mr. HINSHAW. Upon the amount insured by the owner of the vessel?

Mr. SEWALL. Yes, sir; because if we do not insure it, and pay down the premium but take the insurance ourselves, we are doing an insurance business ourselves and it should be charged off the same as the premium that we actually pay in cash.

Mr. LITTLEFIELD. On your present fleet do you carry your own insurance?

Mr. SEWALL. We could not have run our ships for years if we had paid full insurance upon them.

Mr. LITTLEFIELD. And the statement that you have made as to the modest return that you are receiving is based on paying your own insurance?

Mr. SEWALL. Yes, sir; we have taken a portion of that risk for years; and when we lost these two large sailing ships we did not figure that we had lost a hundred thousand dollars, because under the circumstances those ships had not very much value as real property.

Mr. HINSHAW. And you did not deduct them from the earnings to determine what your earnings were?

Mr. SEWALL. No, sir.

Mr. HINSHAW. Which, if you were doing a real insurance business, you would do?

Mr. SEWALL. Yes, sir.

Mr. HINSHAW. What are your premiums of insurance?

Mr. SEWALL. Six per cent on steel vessels and 8 per cent and over on wooden vessels.

Mr. HINSHAW. At that rate you would not get any return?

Mr. SEWALL. No, sir.

Mr. BIRDSALL. Do you keep a construction account for each vessel, so that it can be determined what the cost of the material and labor on it is?

Mr. SEWALL. Yes, sir; the books would show it.

Mr. BIRDSALL. Would it inconvenience you much to furnish that statement on one vessel, Mr. Sewall?

Mr. SEWALL. The only objection to that would be to make public a matter of private business; but personally I do not think I would have any objection to it. I would have to consult my partner.

Mr. BIRDSALL. It is apparent, from the view of the shipbuilder at least, that the great element of difference is in the cost of labor, while we have no figures on ship construction.

Mr. SEWALL. If it is going to help this thing through, I will agree to it.

Mr. LITTLEFIELD. But you are going to make an estimate, are you not?

Mr. SEWALL. Yes, sir; but I suppose that the book itself would be the best evidence; and if it is thought necessary to produce it, I will produce it.

Mr. BIRDSALL. I think a brief statement in condensed form would be sufficient.

Mr. SEWALL. I will have a statement made in condensed form and sent on.

Mr. SPIGHT. On the estimate of the cost of operation, what is it that controls the rate of wages? Is it the port or the flag?

Mr. SEWALL. It is the port. That was very fairly stated yesterday. The rate of wages out of New York to-day would be a certain figure, no matter whether the vessel is American or foreign; but a foreign vessel would have shipped her crew, say in Germany or Great Britain, and she would hold her crew in New York, perhaps, so that that portion of the crew she did hold and continued on would be costing the ship less than the crew of the American ship which loaded here for her port in Brazil and continued on; and of course the rate of wages would be the same for both ships from the same port.

Mr. LITTLEFIELD. That is to say, in the case of sailing vessels. Is it so with the steam vessels?

Mr. SEWALL. I take it, it is the same. It is, so far as I know. Of course it does not apply to the officers.

Mr. HUMPHREY. I have here in my hand a statement of the actual expenses made by a steamship by the name of the *David*, that was under the American flag. Then it changed and took the Norwegian flag, and it was continued in the same trade and ran between the same ports and doing the same business, and yet with the change of flag the account of the wages paid to the crew fell from \$1,235 per month to \$680 per month. There is the same identical ship, and no change but the change of the flag, and yet it reduced the wages just about half. Now, if it is the port, how do you account for that change? How do you account for the fact that simply changing the flag reduced the amount for running the crew by one-half?

Mr. SEWALL. Did she reduce the number of the crew?

Mr. HUMPHREY. I will tell you in a minute how much she reduced the crew. She had 23 men as an American ship, and 20 after she changed to the Norwegian flag. There was a difference of three men. But the difference in the monthly pay roll was the difference between \$1,235 and \$680.

Mr. SEWALL. Well, the wages might have varied under the two flags very much as to the officers.

Mr. HUMPHREY. That is the whole crew.

Mr. SEWALL. But that is my opinion. I suppose that if a British ship was shipping her crew in New York on the same day that I was shipping a crew on my American ship for a foreign port that she would have to pay the same rate of wages as I did. But she has a large number of apprentices on board of her, which would reduce the running expenses for wages.

Mr. HUMPHREY. I see here one wage was \$50 a month under the American flag and under the Norwegian flag it was \$25, just half. That shows pretty well that it is not only the officers, but it is all the way through. I am sure it is that way in every item, because although I have not had time to examine it I noticed that outside of the officers the wages are about double.

Mr. SPIGHT. That must have been an unusual case, from all the testimony that we have had here. I never heard any testimony to the contrary except once, and the gentleman who gave it is here now.

Mr. SEWALL. I am not familiar with the wages on steamships.

Mr. HINSHAW. This vessel flying the American flag could ship its crew in Norway for Brazil at Norwegian wages?

Mr. SEWALL. For Brazil?

Mr. HINSHAW. Yes.

Mr. SEWALL. No, sir; when she came from Norway to New York that crew would be discharged.

Mr. HINSHAW. Suppose that she went to Norway and from there to Brazil, could she not ship her crew in Norway then?

Mr. SEWALL. Provided that she could discharge her crew there.

Mr. HINSHAW. So that an American vessel could, if it desired, take advantage of the cheap wages for shipping a crew, could she not?

Mr. SEWALL. For that particular voyage, if the crew was shipped for that particular trade.

Mr. HINSHAW. That is, she does not have to change her flag in order to avail herself of the low foreign wages?

Mr. SEWALL. I do not understand that she does.

Mr. WILSON. Have you any vessels or ships in the coastwise trade?

Mr. SEWALL. Only engaged in our coastwise trade around Cape Horn.

Mr. WILSON. Now, if this bill passes you would take them out of the coastwise trade, would you not, and get this subsidy?

Mr. SEWALL. Yes, sir; I should employ them a part of the time, anyway, in the foreign trade.

Mr. WILSON. All the time in foreign trade?

Mr. SEWALL. No, sir; it would depend entirely on how the rates of coastwise freight were.

Mr. WILSON. You would use them where you could make the most money out of them, would you not?

Mr. SEWALL. Certainly.

Mr. LITTLEFIELD. What is the difference in the wages of the officers of an American ship as compared with their wages on the foreign ships, as a rule? Take a Norwegian ship.

Mr. SEWALL. They are double, in many cases.

Mr. LITTLEFIELD. I wanted to ask you one other thing. From your experience in the matter of freights and rates, would the withdrawal of ships like yours from the coastwise trade enable the railroads to put up the rates?

Mr. SEWALL. I do not see how it could.

Mr. LITTLEFIELD. Do you see any connection between the two propositions?

Mr. SEWALL. I can not see any.

Mr. LITTLEFIELD. Now, did you answer the question in relation to the rates of wages you paid your officers as compared with the wages paid officers on foreign ships?

Mr. SEWALL. They are very much higher.

Mr. LITTLEFIELD. And your officers have to be American citizens?

Mr. SEWALL. Yes, sir.

Mr. LITTLEFIELD. I believe the law requires that?

Mr. SEWALL. Yes, sir.

Mr. WILSON. Do you understand that under this proposed law you would receive this subsidy on the registered tonnage of your vessels whether or not you carried any freight?

Mr. SEWALL. I know that I never would.

Mr. WILSON. I know, but what is your understanding of this law on that point?

Mr. SEWALL. It would not be practicable for any ship to run for the subsidy alone. We would have to carry a cargo and get a good rate of freight in order to meet our bills.

Mr. WILSON. I understand that of course, too; but I was just wondering whether or not you would get the subsidy whether or not you did carry any freight, under the provisions of this law.

Mr. SEWALL. No, sir; I do not think we would. We would have to carry freight in order to get the subsidy.

Mr. WILSON. That is your understanding of it?

Mr. SEWALL. That is my understanding.

Mr. HUMPHREY. You would have to carry freight in order to run, would you not?

Mr. SEWALL. We could not run without the freight. In the case of France the subsidy was paramount to the freight in some instances. In this case the freight is paramount to the subsidy. The subsidy is the smaller item by far.

Mr. BIRDSALL. You could not run your ships, anyway, could you, without loading them with something?

Mr. SEWALL. We could run our ships as yachts without any cargo if we wanted to run them that way. But as a matter of business we could not run them without cargoes, and full cargoes.

Mr. LITTLEFIELD. Was not that one of the features the Commissioners had in mind when they fixed the subsidy at such a rate as would compel the carrying of cargoes?

Mr. SEWALL. That was the principal object they had in view, to provide a way to get cargoes, and full cargoes.

Mr. LITTLEFIELD. And not to enable them to run without cargoes, but to enable them to have a cargo at about the same rate, with the aid of the subsidy?

Mr. SEWALL. The subsidy was intended to make up the little difference that was necessary to enable them to run and meet competition and obtain business.

Mr. BIRDSALL. I did not suppose that you could run ships of the size of these without cargo or weight of some kind?

Mr. SEWALL. Some of them are fitted for water ballast, you know.

Mr. SPIGHT. Returning to the question of wages, you do not pay your captains on any percentage of the profits? You have a fixed salary and pay them nothing beyond that?

Mr. SEWALL. Most of our captains are sailing at a fixed sum per month. In some instances we pay captains what we call primage, which is a percentage on the freight earned, and in addition nominal wages per month.

Mr. SPIGHT. Nominal wages?

Mr. SEWALL. Nominal wages. As a matter of fact our system on these lines would be 5 per cent primage and \$20 a month, but as a matter of fact fully one-half of our masters are sailing at fixed wages.

Mr. SPIGHT. Do you know what the practice is on European ships?

Mr. SEWALL. I would not state that I do, because I am not sufficiently familiar with the different European ships to state. I know that in the instances that have come to my attention they are sailing by the month.

Mr. SPIGHT. You do not know, then, whether or not it is a fact that in addition to their regular salaries they get a percentage of the freight?

Mr. SEWALL. No, sir.

Mr. LITTLEFIELD. Do you mean the foreign ship masters?

Mr. SPIGHT. Yes.

Mr. LITTLEFIELD. Primage?

Mr. SPIGHT. Yes.

Mr. SEWALL. I do not think it is a common practice. It may be an exceptional practice.

I want to say in reference to the amendments proposed to this bill by the Merchants' Association of New York that I was very much interested in their presentation at the time, and knowing that that association had opposed every bill which had been before Congress for assistance to American shipping I was disposed to think that possibly these amendments covered something which would continue to be in favor of foreign ships and against the interest of American ships, and I believe they do. The first amendment, referring to their pamphlet, was a distinction between the rates of subsidy to be paid sailing ships and steamers. It is not necessary for me to go into that, because it was brought out very clearly at the time that the sailing ship was enjoying no advantage over the steamer, and Mr. Duvall himself seemed to withdraw from the position taken under that amendment.

As to the second amendment, though, in relation to trade between the Philippines and the United States, on pages 18 and 19, it seems to me that amendment if adopted would be pretty sure to reserve that trade to foreign vessels in spite of the passage of the bill. That was a provision that the vessel's receiving additional subsidy in the Philippine trade must be regularly trading between ports and places in the Philippines and the United States and must carry on every voyage made outward and homeward at least 50 per centum of the capacity of the vessel in merchandise and cargo.

Mr. LITTLEFIELD. Oh, yes.

Mr. SEWALL. Now, it was brought out before this committee two years ago when the so-called Philippine coastwise bill was in here, that the trade between the United States Atlantic coast ports and the Philippine Islands is monopolized by a combination or, as it is sometimes called, a conference, of British steamship lines; that those steamship lines are looked after in the Philippines by British merchants whose business it is to forward their interests, and it was clear to us that no independent line, whether American or foreign, could get into that trade without a fierce fight and would stand no chance to win.

This additional subsidy, 30 per cent over the general subsidy, which is provided for the Philippine trade, was provided for the reason that that is one of the hardest trades in which a vessel can engage, owing to the length of the voyage, the monsoons which prevail, and the typhoon and the risks, so that no vessel would engage in that trade at \$5 a ton if it could get \$5 a ton to a great many other foreign places. So that unless a vessel can get this additional subsidy of 30 per cent she is not likely to engage in that trade. I think it is perfectly within the power of these British merchants who control the shipment of the Philippine products to so arrange that any competing American vessel entering that trade would find it practically impossible to obtain 50 per cent of her capacity of cargo.

Mr. LITTLEFIELD. And then in the letter which Mr. Marvin wrote me sometime ago it is stated, which is right in that line, that it has already been done there; that they have manipulated that trade so as to drive all other ships out. Mr. Marvin can explain that.

Mr. MARVIN. American ships have tried repeatedly to get cargoes at the port of Manila and have been boycotted.

Mr. SEWALL. I will say that I have had ships there myself, steel ships, and was unable to get business to any port of the world at any rate of freight. I was willing to take a low rate.

Mr. LITTLEFIELD. Freights would go right down the minute your vessel was there, and the minute she left they would go right up again?

Mr. SEWALL. There is no freight when my vessel is there.

Mr. HUMPHREY. Then if we adopt the suggestion of the Merchants' Association it would mean giving the Philippine trade entirely to foreign vessels?

Mr. SEWALL. It would just remain where it is now.

Mr. HUMPHREY. They already have it, and would keep it.

Mr. SEWALL. The third amendment on page 22 provides that pending the construction of American vessels for mail routes the Postmaster-General may be allowed to contract with foreign vessels for carriage of mails at one-half of the subsidy provided by the bill for American vessels. Of course now if foreign vessels are carrying mails on those routes they are doing it at pound postage. The payment to them of one-half of the subsidy of American vessels would be a mighty good thing for foreign vessels doing that work. It would be far beyond what they are getting now. Of course they say they are willing to make short contracts, although they ask either for three or five years here. But the mere fact that a foreign vessel was given a place on a mail line for a period, whether it was short or long, would discourage, in my opinion, American capital from constructing vessels to get into that line and to displace the foreign vessels there under subsidy by our Government.

Mr. HUMPHREY. Do any of the foreign governments pay the American lines for carrying the mails?

Mr. SEWALL. I am not familiar with the mail contracts of foreign governments.

Mr. HUMPHREY. As a matter of fact, none of the European governments ever send a pound of mail by an American vessel unless it is impossible to send it in any other way.

Mr. SEWALL. I know that to be a fact.

Mr. HUMPHREY. The reason why the foreigners are able to carry our mail more cheaply than the American vessels can carry it is because the foreigners receive subsidies from their countries all the time, and they refuse to patronize American ships.

Mr. SEWALL. Now, the reason for pressing this amendment seems to be that the country could not wait for the American ships to be constructed. We have got to have these fine mail facilities, and must have them right away. I do not see why the passage of this bill; or, say, the passage of this bill through the Senate, the prospect that it may become legislation, possibly, should have any bearing on what this country should have as a mail service. In other words, they can get along a few months or a year or two longer as they have been getting along, and need not make that a plea for giving foreign ships a mail subsidy of any sort.

Mr. LITTLEFIELD. That is, the bill does not create any new exigency?

Mr. SEWALL. No, sir; it simply gives the foreign ships this subsidy, and makes it easy for them to establish themselves and remain established.

Mr. BIRDSALL. I do not understand the amendment gives them any subsidy at all. I understand it to be independent of the subsidy entirely.

Mr. SEWALL. They do not call it a subsidy; but it is a payment by the Government, and must be provided from the same source as the subsidy must be provided from.

Mr. BIRDSALL. As I understand this proposition, it is simply this: Here is an American ship and a foreign ship competing for a permit to carry the mails. Now, if there is an American ship competing at all at any price up to the highest point of the contract, the contract must be awarded to the American ship.

Mr. SEWALL. Yes, sir.

Mr. BIRDSALL. And it can not be awarded to the foreign ship for more than one-half?

Mr. SEWALL. I understand it.

Mr. BIRDSALL. How does that alter the situation or the present condition of affairs?

Mr. SEWALL. Suppose no American ship appears, then the foreign ship can be taken at one-half the subsidy, or an amount equal to one-half the subsidy, as I understand.

Mr. BIRDSALL. Yes, but nothing above that.

Mr. SEWALL. Yes, but nothing above that. But that is a distinct advantage to the foreign ship above what she has now.

Mr. HUMPHREY. That is greater than the pound rate, and the subsidy would pay them much more than they are now getting.

Mr. SEWALL. Yes, sir, at the expense of this Government.

Mr. BIRDSALL. Unless the present law is changed will not the Philippine trade after the 1st of July be under the coastwise laws?

Mr. SEWALL. Yes, sir.

Mr. BIRDSALL. Then, of course, none but American vessels could engage in that trade?

Mr. SEWALL. Yes, sir.

Mr. BIRDSALL. Have you examined the figures on any specified line on any mail contract to determine what the difference in the rate would be between the rate now paid and what will be paid under this subsidy bill, one-half of the subsidy?

Mr. SEWALL. No, sir; I have not.

Mr. BIRDSALL. How are you qualified to say, then, that this will be a great advantage to the foreign ship?

Mr. SEWALL. I know that the foreign ship can not be getting at pound rates anything like what half of this subsidy would be. It is a positive fact, although I can not testify that I have looked into the figures and found that to be so; but I have no doubt that it is so.

The CHAIRMAN. Mr. Marvin can doubtless answer that.

Mr. MARVIN. Under the policy of paying 44 cents a pound for letters the United States Post-Office Department is now giving to a few groups of foreign steamships running to Brazil and Argentina \$22,827 a year for mail service by rather slow steamers. Under the proposed amendment of the Merchants' Association the speed of those steamers would

have to be improved; but they would be eligible to receive one-half of the mail subvention to Brazil, which is \$300,000 a year by one line and \$275,000 by the other, and one-half of the subvention of \$375,000 to Argentina. It would be a very considerable increase from \$22,827 a year to \$470,000; but for that increase these foreign companies would have to accelerate the speed of their vessels.

Mr. SEWALL. The next is, on page 25, as to increased speed on these lines. That would, I think, make the compensation provided in this bill inadequate for the ships of additional speed on these routes—a speed which is desirable from the mail-service point of view, I think, but would prevent the ship from carrying as much cargo and which would to that extent render the bill inoperative.

Of course, their fourth amendment in the new section 11 is so American in its ideas that it leaves a pleasant impression to one having glanced through the bill, and possibly may be intended to do so.

Mr. HINSHAW. You have no objection to it?

Mr. SEWALL. I have no objection to that. I do not think any American would have any objection to it.

Now, in relation to the so-called Kahn bill, which has been put before the committee, I do not know whether that is seriously considered by anybody or not; but there was certainly one point that was not brought out. The advantage of \$2 a ton in the voyage is on the amount of cargo brought into any port, and applies to each inward voyage, whether the port of shipment was 500 miles, 5,000 miles, 10,000 miles, or 15,000 miles distant. The consequence is that vessels operating under that bill would naturally seek the shortest voyages—that is, to be loaded at the nearest foreign ports, and it would make a congestion of vessels in certain ports and a complete absence of American vessels in other ports.

Mr. HINSHAW. That is, you mean American vessels would seek short voyages?

Mr. SEWALL. Yes, sir. I do not know that I have anything more to say on that subject.

Statement of cost of construction of steel sailing vessel No. 47, of 3,374 gross tons register.

[Summarized from the books of Arthur Sewall & Co., her builders, in 1901.]

LABOR.

| | |
|--|-------------------|
| Ironwork, bending and fitting frames and plates, riveting, drilling, calking, chipping, etc..... | \$31,033.34 |
| Carpenters, all heavy woodwork..... | 7,389.40 |
| Joiners, cabin, inside and out..... | 2,715.90 |
| Blacksmiths..... | 3,988.50 |
| Painters..... | 2,050.90 |
| Machinists..... | 1,709.25 |
| Riggers..... | 1,782.70 |
| General work about yard and cementing bottom..... | 570.25 |
| Engineers of hoisters, fireman at furnace, and night watchman.... | 900.05 |
| Timekeeper and storekeeper..... | 355.85 |
| Making spars (wooden)..... | 206.00 |
| Galvanizing..... | 27.58 |
| Drafting (plans, etc.)..... | 1,006.75 |
| Millwork on molding, etc..... | 60.62 |
| Sailmaking..... | 1,542.36 |
| Ship plumbing..... | 95.90 |
| | <hr/> \$55,435.35 |

Statement of cost of construction of steel sailing vessel No. 47, etc. —Continued.

MATERIALS.

| | | |
|---|-------------|-------------|
| Structural material, shapes, plates, etc | \$47,640.06 | |
| Testing material | 280.60 | |
| Rivets | 2,809.22 | |
| Bolts and nuts | 829.95 | |
| Tool steel | 123.67 | |
| Iron, assorted | 509.88 | |
| Wire rigging | 1,587.87 | |
| Cables and rigging chain | 3,376.90 | |
| Pipe and fittings | 252.38 | |
| Steel castings and forgings | 926.85 | |
| Turn-buckles | 227.73 | |
| Composition castings | 251.72 | |
| Iron castings, bitts, chocks, etc | 885.48 | |
| Side lights | 243.00 | |
| Ship machinery, windlasses, boiler, and engine | 4,045.20 | |
| Blocks | 1,190.24 | |
| Cordage, manila rope, and seizing | 2,514.17 | |
| Paints | 1,044.98 | |
| Tools | 435.58 | |
| Hardware | 576.33 | |
| Lumber, for staging decks, floors, and houses | 7,653.86 | |
| Cement and sand, cementing bottom | 517.54 | |
| Tar and pitch, decks and rigging | 53.72 | |
| Oakum | 120.01 | |
| Parceling | 160.14 | |
| Machine oil and cotton waste | 45.94 | |
| Paint brushes, handles, tallow, and soap | 519.86 | |
| Furniture, cabin and mess room | 655.10 | |
| Anchor, boats, navigating apparatus, lamps, etc | 2,965.31 | |
| Duck, for sails | 2,445.88 | |
| Freight and express | 432.74 | |
| Trucking | 174.00 | |
| Glass | 46.43 | |
| Plumbers' supplies and galley fixings | 884.01 | |
| Electric light | 8.63 | |
| Electric power | 182.50 | |
| Fuel, coal for furnace | 1,861.44 | |
| Water, used at plant | 93.75 | |
| | | \$88,572.67 |
| Towage and launching | | 100.00 |
| Classification in American and Veritas bureaus | | 752.53 |
| Office expenses, liability and fire insurance, portion of salaries, clerks and stenographer | | 1,679.67 |
| Interest on account | | 5,156.36 |
| Commission for superintending construction and use of plant | | 15,169.65 |
| Total | | 166,866.23 |

Statement of cost of construction of steel sailing vessel No. 50, of 2,128 gross tons register.

[Summarized from the books of Arthur Sewall & Co., her builders, in 1903.]

LABOR.

| | |
|---|-------------|
| Ironwork, bending and fitting frames and plates, riveting, drilling, calking, chipping, etc | \$32,801.75 |
| Carpenters, all heavy woodwork | 6,585.30 |
| Joiners, cabin inside and out | 2,778.78 |
| Blacksmiths | 3,123.67 |
| Painters | 2,022.75 |
| Machinists | 3,158.88 |
| Riggers | 1,100.00 |
| General work about yard and cementing bottom | 880.35 |

Statement of cost of construction of steel sailing vessel No. 50, etc.—Continued.

LABOR—continued.

| | |
|--|------------|
| Engineers of hoisters, fireman at furnace, and night watchman .. | \$1,601.03 |
| Timekeeper and storekeeper..... | 834.97 |
| Making spars (wooden)..... | 315.00 |
| Galvanizing..... | 68.84 |
| Drafting (plans, etc.)..... | 900.00 |
| Millwork on moldings..... | 24.55 |
| Sailmaking..... | 1,297.01 |
| Ship plumbers..... | 103.25 |
| | <hr/> |

\$57,596.13

MATERIAL.

| | |
|---|-----------|
| Structural material, shapes, plates, etc..... | 39,963.43 |
| Testing material..... | 232.57 |
| Rivets..... | 2,598.43 |
| Bolts and nuts..... | 527.01 |
| Tool steel..... | 117.68 |
| Iron, assorted..... | 647.40 |
| Wire rigging..... | 1,477.76 |
| Cables and rigging chain..... | 2,412.22 |
| Pipe and fittings..... | 763.10 |
| Steel castings..... | 576.30 |
| Turn-buckles..... | 225.39 |
| Composition castings..... | 122.82 |
| Side lights..... | 164.30 |
| Iron castings, bitts, chocks, etc..... | 620.19 |
| Ship machinery, windlasses, boiler, and engine..... | 3,457.50 |
| Blocks..... | 773.49 |
| Cordage, manila rope, seizing, etc..... | 1,892.20 |
| Paints..... | 975.24 |
| Tools..... | 585.88 |
| Hardware..... | 248.97 |
| Lumber, for staging decks, floors, and houses..... | 5,843.93 |
| Cement and sand, cementing bottom..... | 526.50 |
| Tar and pitch, decks and rigging..... | 50.62 |
| Oakum..... | 135.43 |
| Parceling..... | 90.23 |
| Drafting supplies..... | 5.74 |
| Machine oil and cotton waste..... | 136.98 |
| Paint brushes, handles, tallow, and soap..... | 497.32 |
| Furniture, cabin and mess room..... | 264.64 |
| Anchors, boats, navigating apparatus, lamps, etc..... | 2,502.30 |
| Duck, for sails..... | 2,247.83 |
| Freight and express..... | 485.55 |
| Trucking..... | 147.43 |
| Glass..... | 11.64 |
| Plumbers' supplies and galley fixings..... | 510.75 |
| Electric light..... | 42.70 |
| Electric power..... | 901.23 |
| Fuel, coal for furnace..... | 3,859.08 |
| Water, for use at plant..... | 393.17 |
| | <hr/> |

77,034.95

| | |
|--|-----------|
| Towage at launching..... | 25.00 |
| Classification in American Bureau of Shipping..... | 263.55 |
| Office expenses, liability and fire insurance, portion of salaries, clerks and stenographer..... | 1,841.10 |
| Interest on account..... | 5,153.72 |
| Commission for superintending construction and use of plant..... | 14,191.44 |
| | <hr/> |

Total..... 156,105.89

(The smaller of these two vessels was built when steel was higher than when the larger was constructed, and the smaller vessel was also fitted for water ballast. These two things account for the apparent disproportion of cost in relation to the tonnage of the two vessels.)

Comparison of cost of wages and provisions on a British and an American ship taken from the actual accounts of the vessels and obtained from their owners.

American steel sailing ship *Acme*, (2,987 tons register):

Voyage: New York, Kobe (Japan), Hongkong (China), Baltimore, and New York.

Time consumed, 518 days.

Crew, 32 men.

| | |
|-----------------|----------|
| Wages..... | \$12,624 |
| Provisions..... | 3,629 |

| | |
|-------------|--------|
| Total | 16,253 |
|-------------|--------|

Average cost per man per day, 98 cents.

British steel sailing ship *Eclipse* (2,969 tons register):

Voyage: New York, Hongkong, Baltimore, and New York.

Time consumed, 497 days.

Crew, 38 men.

| | | |
|-----------------|--------|----------|
| Wages..... | £2,089 | \$10,027 |
| Provisions..... | 696 | 3,340 |

| | | |
|-------------|-------|--------|
| Total | 2,785 | 13,367 |
|-------------|-------|--------|

Average cost per man per day, 70-cents.

Average cost to the American ship 40 per cent more than to the foreign ship.

STATEMENT OF MR. SAMUEL GOMPERS, PRESIDENT OF THE AMERICAN FEDERATION OF LABOR.

MR. GOMPERS. Before your committee adjourns, may I ask for about ten minutes, if you have time? At the hearing yesterday there was some suggestion made as to my securing some statements for the committee, and I have secured some, and I want to submit them to your consideration. Let me say that it has always been the policy that I have endeavored to pursue that no outside interference shall be exercised or influence brought to bear upon any national or international organization in regard to its own policy. I mention that with that preface because it sometimes occurs that one of our many organizers, perhaps a member of a particular national or international union, may desire to go to a convention.

I have tried my level best to discourage anyone holding a commission as organizer from attending a national or international convention of his trade, for the reason that it might arouse the suspicion that as the president of the American Federation of Labor I desired to have a certain policy pursued by the organization, and that the organizer would be regarded as the representative of this policy. I make this statement in preface for this reason, that Mr. Thomas J. Flynn, a member of the Brotherhood of Boiler Makers and Shipbuilders, has been an organizer for the Federation of Labor for several years. He asked that he might go to the convention of the Brotherhood of Boiler Makers and Iron Ship Builders, which they held at Kansas City, Kans.

I declined to allow him to go. However, I received several urgent letters and telegrams, the originals of which I now hold in my hand, asking that he might be permitted to go there, for the reason that he was in possession of some very valuable information that would be of great interest to the organization. I then gave him permission to go, for which I received from the convention and the officers both, letters and telegrams conveying the thanks of the conven-

tion. I might quote my letter to Mr. Flynn, under date of February 27th, in which I said:

In view of reasons of officers of convention, you may proceed to Kansas.

This reads:

The executive council of the Brotherhood of Boiler Makers and Iron Ship Builders of America, now in convention, extend their thanks to you for the courtesy shown to us by sending Brother Flynn to our convention, as requested. We have received some very valuable information from Brother Flynn and are very thankful for same.

I read these messages to you and only refer to the letters, so that you may have some knowledge of the position in which both Mr. Flynn and myself were placed and that you may see that there was no effort on my part or his to influence the convention in anyway upon the subject of the subsidy bill now before this committee, and as it then was, I believe, before the Senate committee.

I want to read to you gentlemen a letter that I sent to Mr. Flynn on last Friday.

Mr. LITTLEFIELD. This was the meeting when they took no action on the subsidy bill?

Mr. GOMPERS. I should prefer to be permitted to continue, and then you will hear what I have to say in its entirety.

Mr. LITTLEFIELD. Oh, yes; I see. I beg your pardon.

Mr. GOMPERS. This is a carbon copy of the original letter:

HEADQUARTERS, AMERICAN FEDERATION OF LABOR,
Washington, D. C., April 6, 1906.

THOMAS H. FLYNN,

Organizer, American Federation of Labor, Dayton, Ohio.

DEAR SIR: In the Associated Press dispatches at the time of the convention of the Brotherhood of the Boiler Makers and Iron Ship Builders of America, recently held in Kansas City, I read a statement that there was a proposition before the convention to indorse or to demand a ship-subsidy bill from Congress and that the motion was defeated by an almost unanimous vote. The purpose of my writing to you is to inquire, as you were the representative of the American Federation of Labor at that convention, what transpired upon that subject. I therefore ask you to send me a telegram at once giving me your understanding of the action taken in that convention on that subject. Telegraph promptly and as fully as necessary.

Fraternally yours,

SAMUEL GOMPERS,
President, American Federation of Labor.

In answer to that I received the following telegram to-day:

DAYTON, OHIO, April 10.

SAMUEL GOMPERS:

Letter received. Boiler makers in convention unanimously voted against enactment of the ship-subsidy bill. Also denounced their former action.

T. H. FLYNN.

In other words, the action of the former convention in declaring in favor of the subsidy bill had been reconsidered, or as Mr. Flynn uses the term, denounced, and the proposition unanimously determining the policy against the ship-subsidy bill was adopted, thus making the absolute unanimous position of organized labor at least clear upon that subject.

Immediately upon receipt of this telegram I made up my mind it was my duty to come before this committee to make clear this matter, and since coming into this room I learned that a statement had been

made to this committee this morning or this afternoon that a secession movement had taken place from the Brotherhood of Boiler Makers and Iron Ship Builders, and that that organization, the old organization, had gone out of existence either actually or practically

In connection with that I should say that about two years ago, when Mr. McNeil was president of the Brotherhood of Boiler Makers and Iron Ship Builders, he was very much interested in preventing a movement among a few local lodges of the brotherhood in withdrawing from the brotherhood, and I should add declared that they had withdrawn or would withdraw to secure their reaffiliation, and that at that time—he is present and I think he will agree with me—I did render some signal service, some little service, in trying to bring the locals back to the brotherhood, which was accomplished

Because I did not wish to leave the room after having entered it, I asked Mr. Grimes, a member of our legislative committee, to go to the 'phone and ask the office, which is located on G street in this city, as to the standing of the Brotherhood of Boiler Makers and Iron Ship Builders in the American Federation of Labor. He came back a few moments after with the statement that the last payment of the Brotherhood of Boiler Makers and Iron Ship Builders of its per capita tax to the American Federation of Labor was upon 13,086 members, just a few weeks ago

Now, I might say this—perhaps it is rather a peculiar statement coming from me, but I am willing to say it—that our organizations affiliated to the American Federation of Labor are made up of the same sort of men as the average citizens, and the average citizen is not going to pay taxes upon a higher basis of valuation than that which he possesses; that if there be any deviation from that rule, it will be the other way. Our local unions are required to pay a per capita tax to their international officers, or headquarters, and it does not infrequently occur that they will pay upon a very much smaller membership than they have in their local unions, and in turn it is not infrequent that the international union will pay upon a somewhat smaller membership than that which they themselves receive. And when I say that the per capita tax of 13,086 of the present paid up membership of that brotherhood has been received, it is fair to assume that that organization has not gone out of existence

MR. HINCHAW. That is the usual number for a year or two; is it?

MR. GOMPERS. It has been, yes, sir.

MR. LITTLEFIELD. May I ask you a question now?

MR. GOMPERS. Yes, sir; certainly.

MR. LITTLEFIELD. Do you not think that the passage of this bill, if it results in the building of more ships as it is hoped it may do, would be a direct benefit to the men who belong to the boiler makers' union in the line of furnishing them with more steady and profitable employment?

MR. GOMPERS. I firmly believe that any reasonable action that will furnish more employment will be of advantage both for the trade as well as generally.

MR. LITTLEFIELD. Exactly so.

MR. GOMPERS. But there is one thing that must not be lost sight of, and that is that it is not only work that affords a fair compensation that is to be considered, for there are a considerable number of

occupations in which there is usually plenty of work, and the rate of wages and the hours of employment are much worse than in other occupations where there is a greater variation.

Mr. LITTLEFIELD. Yes, sir; but I suppose you and I would both agree that the more work there was to do, the greater the probability not only of employment but of the improved rate of wage.

Mr. GOMPERS. Unquestionably.

Mr. LITTLEFIELD. And if this bill produces the result which is hoped of building more vessels in the different yards, it would, of course, tend to produce and furnish better and more prosperous employment for the boiler makers' union, would it not?

Mr. GOMPERS. Unquestionably; but I understand that no less an authority than Mr. Cramp stated that he is now seeking workmen for his yards.

Mr. LITTLEFIELD. That is true so far as Philadelphia is concerned, and yet there is a large amount of testimony that outside of Philadelphia there are many men who are boiler makers and engaged in that trade who do not find employment, and have not been able to find anything like the average rate of employment throughout the last four or five years. I wanted to ask you this. I am, of course, assuming a hypothesis. I am not asking you to concede the fact. But assuming that the passage of the bill would bring about a condition that would result in the building of more ships and furnishing more and better employment to the men belonging to the boiler makers' union, certainly to that extent it would be to their advantage, would it not?

Mr. GOMPERS. If there are not now enough boiler makers and iron shipbuilders to supply the demands of the trade, it would appear that if there were more ships to be built, that would not supply the men, and I desire to say this, that I think I have as fair an opportunity of gauging the number of employed or unemployed, or rather the number of unemployed, as any man in this country.

Mr. LITTLEFIELD. I have no doubt about that.

Mr. GOMPERS. The reason I mention it is this: That I receive from our affiliated organizations, that have established some accurate basis, some accurate machinery, to ascertain the state of employment in their respective trades, reports each month.

Mr. LITTLEFIELD. Yes.

Mr. GOMPERS. And from these reports a chart is prepared accurately giving the state of unemployment for the preceding month, and that is published monthly in our official journal. Apart from that the officers of the organization are required monthly to report the state of trade.

Mr. LITTLEFIELD. Now, what is the result in relation to the boiler makers, on that basis?

Mr. GOMPERS. And the reports received have shown a state of unemployment less in the past five years than they have done in any period before that in my recollection.

Mr. LITTLEFIELD. I have not any doubt that you are correct about that; that is, the general condition of employment so far as our wage-earners are concerned is very gratifying. The general condition, we are all agreed, is very gratifying, so far as the condition of the wage-earners is concerned. Now, have you in mind what the facts are

with reference to the boiler makers' union so far as the employed are concerned? I do not know that you have, but I do not know but you might have.

Mr. GOMPERS. I have reference, and can only have, to those who are within the organization.

Mr. LITTLEFIELD. Those that are federated?

Mr. GOMPERS. Because they are the only parties who are in a position to give this information—who are in a position to make report. And I think it is a fair statement, a fair inference, to say that the reports of the officers of the organizations will be a pretty fair accurate barometer of the state of trade in their particular crafts.

Mr. LITTLEFIELD. Unquestionably. Now, what does that barometer show as to the boiler makers, if you remember?

Mr. GOMPERS. I say that the state of unemployment has been lower in the past five years than in any previous time in my knowledge.

Mr. LITTLEFIELD. And you were applying that to the boiler makers?

Mr. GOMPERS. Yes, sir.

Mr. LITTLEFIELD. We had some gentlemen here this morning who do not happen to be affiliated with your organization, but they are boiler makers, and they say that they have been obliged to leave their craft and go out and get employment at what we would call a common laborer's rate of wages, \$1.75 to \$2 a day. I do not suppose you would consider that as a desirable condition, when a skilled craftsman would be obliged to leave the craft for which he was educated and trained and go at something for which he would get only ordinary day laborer's wages. You would not look upon that as a favorable condition?

Mr. GOMPERS. Certainly not.

Mr. LITTLEFIELD. Now, you understand that I am not going to assume that this extends generally, but to a certain extent if that does exist with regard to the boiler makers—I do not say that it is general, but so far as it does exist—would you not be in favor of legislation that would ameliorate that condition and improve it?

Mr. GOMPERS. If legislation could do it. But there is certain legislation which if enacted (even if it could do some good to some, from which I dissent) yet may be so pernicious in practice as to be of far greater disadvantage to the people as a whole.

Mr. LITTLEFIELD. Then the proposition would be this: As I understand you—I do not wish to state your position, but if I do state it, perhaps I will get it more completely—I understand you in a general way, then, to say that in the event of the passage of this bill, if it produces the result that it is hoped it would produce, which would justify it to us—of course, we can not be certain of anything, but if it should produce the result—of improving the ship-building industry and furnishing employment to this particular line of craftsmen, that would not in your judgment justify the legislation?

Mr. GOMPERS. That is my position exactly.

Mr. LITTLEFIELD. Have I stated it fairly?

Mr. GOMPERS. Yes, sir.

Mr. LITTLEFIELD. That is, your idea is that the principle upon which the bill is based is so pernicious as to negative action, although

we will assume that it might be of great advantage to the boiler makers and men engaged in that particular craft?

Mr. GOMPERS. I believe this, that it would not produce the result.

Mr. LITTLEFIELD. Of course I am assuming that you know.

Mr. GOMPERS. I believe that it would not produce the result anticipated by its friends—that is of giving a stimulus, or creating energy and renewed life in the industry; and secondly, if it did, I think that the principle involved is a wrong one; and thirdly, there are other features connected with the bill, particularly in so far as conscription is concerned, which intensify, if possible, the feeling of opposition which we have against this bill.

Mr. LITTLEFIELD. I understand that is the special feature that you object to; but of course these questions that I have been putting to you are based upon the general proposition, independent of the special proposition.

Mr. GOMPERS. Yes, sir.

Mr. SPIGHT. I would like to ask you this: Suppose, as Mr. Littlefield suggests, this would benefit the boiler makers, would not that be class legislation?

Mr. GOMPERS. Of course it would be, but Congress has been indulging in class legislation so long that that would not be anything unusual.

Mr. LITTLEFIELD. What was that question?

Mr. SPIGHT. I asked him if this would be class legislation and in favor of the boiler makers exclusively of all other component parts of the institution.

Mr. LITTLEFIELD. Of course I have been putting my questions in relation to the boiler makers, because we have been discussing them; but not only the boiler makers, but every other craftsman engaged in the building of a vessel, and every craftsman engaged in the production and finishing of the material that goes into the vessel, is to be considered in this. You would concede the more or less general interest in the reestablishment of this industry?

Of course if you would furnish more employment for more men, not only boiler makers, but all sorts of craftsmen engaged in the building of ships and engaged in furnishing and working upon the material that goes into the ships, which, of course, includes the raw material and all that is done on it until it goes into the ships, you would accelerate all the lines of industry? That you would concede?

Mr. GOMPERS. There would be no question that it would give employment to other branches of trade.

Mr. LITTLEFIELD. If the building follows from the bill—that is, if it is the result of the bill, if the bill accelerates the building?

Mr. GOMPERS. Yes, sir; but I suppose that it is not exceedingly large when each industry is concerned, and each quota of production toward the building of the ship.

Mr. LITTLEFIELD. That depends on the lines of industry you compare it with.

Mr. GOMPERS. Yes.

Mr. LITTLEFIELD. Of course if it does not accelerate the building of ships, no benefit will be received under the bill.

Mr. GOMPERS. It goes to the ships that are already built.

Mr. LITTLEFIELD. Yes; it goes to the ships that are already built.

Mr. GOMPERS. And if there be not another vessel constructed, it would still go to the vessels that are already built.

Mr. LITTLEFIELD. Yes; but that would be relatively a very small matter. There would only be a small number of those that could avail themselves of the subsidy?

Mr. GOMPERS. Yes, sir.

Mr. LITTLEFIELD. Now, I would like to know whether you have given the general subject of the merchant marine and its decadence, and any possible means for its rehabilitation, any consideration, so that you have any ideas upon the advisability of discriminating duties for that purpose?

Mr. GOMPERS. Discriminating duties would lead me into a discussion of the protective tariff as a policy, which I have already indicated yesterday that I should not like to discuss.

Mr. LITTLEFIELD. I would also like to ask you whether in the last analysis a discriminating duty and a subsidy are not the same thing.

Mr. GOMPERS. Essentially.

Mr. LITTLEFIELD. Yes; in the essence. I do not mean that the money is used in the same way. Of course with a discriminating duty you put on the larger duty, and simply fail to give the money into the Treasury. That is, you put on a larger duty on the products introduced in the foreign vessel and fail to collect it on the domestic vessel, and therefore the money is not taken up; but in the case of a tariff the money is taken up.

Mr. GOMPERS. Yes.

Mr. LITTLEFIELD. Why is it not the same thing in its essence?

Mr. GOMPERS. That may be true. In the case of a protective tariff, as I say, the money is paid by the party importing the article. It goes into the United States Treasury. In the other case it is taking the money out of the Treasury and paying it to private interests.

Mr. LITTLEFIELD. In the case of a discriminating duty it is failing to collect the money that would otherwise be collected?

Mr. GOMPERS. Yes.

Mr. LITTLEFIELD. Which is practically the same thing. It does not go into the Treasury to be taken out, but it is given to the vessel. Is not that, in your judgment, the same in essence?

Mr. GOMPERS. It may have the same result, and the same purpose, but it is hardly the same thing.

Mr. LITTLEFIELD. I mean in its essence it is the same thing. I do not mean legally speaking or by name the same thing; but, for instance, if you give the vessel the benefit of \$10 discriminating duty, you do not get that money into the Treasury; the vessel gets the benefit of it. Now, suppose you have collected \$10 and later on give the vessel the benefit of \$10 by virtue of a subsidy, of course that is an arbitrary illustration, but you do not get the money, but you give the vessel the benefit of it.

In the other case you do collect the money and pay it to the vessel, which is the same.

Mr. GOMPERS. I suppose there is not very much of a difference in its essence.

Mr. LITTLEFIELD. That is my opinion.

Mr. SPIGHT. Would there not be this difference, that the foreign shipper would ship in American vessels, because the American vessels could give better rates?

Mr. GOMPERS. I suppose so.

Mr. WILSON. Let me ask you a question, please?

Mr. GOMPERS. Yes, sir.

Mr. WILSON. It was stated here the other day by one of the people appearing here that there were in his opinion at least 50,000 boiler makers out of work in this country, that is out of their general line of work. What do you think of that statement, as to your opinion? Do you think it is exaggerated, or too small or too large?

Mr. GOMPERS. I think that it is not true.

Mr. WILSON. Do you know Nicholas Fitzhenry of New York, president of the Brotherhood of Boiler Makers and Iron Ship Builders of North America?

Mr. GOMPERS. I do not know the gentleman. No sir; the name does not sound familiar to me.

Mr. WILSON. Or John J. Sweeny, the secretary?

Mr. GOMPERS. The name is not familiar to me.

Mr. McNEIL. I wish to make a statement in reply to Mr. Gompers, in relation to Mr. Flynn; that is in regard to the passing of the resolution at the convention at Kansas City, Kans. I will say, regardless of the statement of Mr. Flynn, that no such resolution was passed, and he can not produce a copy of the minutes of the meeting to show that resolution. I wish also to let Mr. Gompers know that I am here largely at the request and suggestion of George F. Dunn, the national president of the National Association of Boiler Makers and Ship Builders of America, and he has sent me letters which I have, and telegrams, requesting me to come here because of my vast experience in the shipbuilding, which he does not know anything about.

Mr. GOMPERS. Will Mr. McNeil show those letters and telegrams?

Mr. McNEIL. I will show you the letters; and he is a personal friend of mine; and I will show you also the telegrams.

Mr. GOMPERS. I have taken the committee absolutely into my confidence, and have hidden nothing. If any man undertakes to contradict a statement, claiming that he has letters and telegrams showing that my statements are incorrect, it seems to me that he too ought to have enough confidence in this committee to state the thing fully, and to show the letters and telegrams.

Mr. McNEIL. I do not state, Mr. Chairman, and I do not think anybody can quote me as saying, that his statement is incorrect. I mean regardless of the statement of Mr. Flynn that he can not produce the resolution to us.

Now, the other part of the statement was information to Mr. Gompers that I have been here largely through the request of Mr. Dunn.

Mr. GOMPERS. How largely? Just let us know.

Mr. McNEIL. So largely that he has requested me personally, he and John Fitzgerald, of Chicago, who is the first vice-president. Both of them came to me personally in the city of Chicago and requested me to come here.

Mr. WILSON. To come here to support the bill?

Mr. McNEIL. For me to support the bill; yes, sir.

Mr. GOMPERS. I want to ask you a fair question.

Mr. McNEIL. Yes.

Mr. GOMPERS. Who is paying your expenses to come here?

Mr. McNEIL. Myself.

Mr. GOMPERS. I am proud of your patriotism.

Mr. FURUSETH. There was one question that was raised here a little while ago, referred to by Mr. Pendleton, in relation to the ship *David*.

Mr. LITTLEFIELD. What statement did he make?

Mr. FURUSETH. Somebody made a statement as to the *David*, and reference was then made to the fact, as I understand, that the wages are determined by the port and not by the flag, and the *David* was quoted as against that statement of mine, and also as against the statement of Mr. Sewall, and a reference was or seemed to be made that the statement made by me as to that matter was inaccurate. Now, with reference to the *David*, if I may make the statement which I have in mind, I think I can give to the committee the exact facts in relation to the *David* so that there will not be any question about it.

The CHAIRMAN. Mr. Pendleton has made no statement here. That is not in the record to-day.

Mr. FURUSETH. It did not go in the record. The question is this, putting it differently. The *David* is put against a statement made by me and by Mr. Sewall to the effect that the port determines the wages, and not the flag.

Mr. HINSHAW. It was read from a book by Mr. Humphrey, I think.

Mr. FURUSETH. Now, I did not catch on to how it was stated, but there is some reference to that fact, and this letter in the book is placed as positive evidence against the facts as stated by me in this matter. I presume that you want the actual bottom facts in this matter, and, wanting them, I thought it my duty to give them to you.

Mr. WILSON. I would like to hear his statement.

Mr. SPIGHT. I would like to hear what he has to say about it.

Mr. LITTLEFIELD. We could have had it all through with by this time if he had set about it at once. Go on and make your statement.

Mr. FURUSETH. The *David*, it was stated here, was transferred from the American to the Norwegian flag. She continued in the same trade and her portage bill or her running expenses were very largely decreased. I touched upon that matter the other day when I was before the committee.

(The printed statement regarding the *David* was here handed to Mr. Furuseth.)

Mr. FURUSETH. This is the steamship *David*. This vessel was transferred. They ran the vessel a year under the American flag and then ran her under the Norwegian flag in the same trade, and we have the portage bill in both instances. This is evidently a fruiter, although it does not say so. Fruiters run between ports in Central America and the West Indies and the ports in the United States. A great many of them are Norwegians, under the Norwegian flag, but owned by American capital. The men are hired in Norway and sent here by steamer, either to the American port in question or to the West India port or to the Mexican port.

Mr. LITTLEFIELD. You know about this personally in the case of the *David*, do you?

Mr. GOMPERS. That is the case with all these vessels.

Mr. LITTLEFIELD. Just a moment. Do you know about the *David* personally?

Mr. FURUSETH. Absolutely personally about the *David*?

Mr. LITTLEFIELD. Yes.

Mr. FURUSETH. No.

Mr. LITTLEFIELD. You never saw the ship.

Mr. FURUSETH. No, sir; I did not see the ship.

Mr. LITTLEFIELD. Go ahead.

Mr. FURUSETH. But I do know from the way in which she is running. I can explain the discrepancy of wages.

Mr. LITTLEFIELD. You were going to state it from personal knowledge.

Mr. HINSHAW. Where was she?

Mr. FURUSETH. The vessel belonged down in New Orleans and had been under the American flag and was put under the Norwegian flag. There is nothing very strange about that. And the way those things are done is that they send to Norway or Germany for the number of men that they want.

Mr. LITTLEFIELD. Yes.

Mr. FURUSETH. And they bring them here and put them on board of the vessel.

Mr. LITTLEFIELD. Yes.

Mr. FURUSETH. Under a contract made in that particular country; and our laws, section 5280 of our Revised Statutes, under our treaties with those particular nations, makes it the duty of the United States to capture, imprison, and return to their vessels any particular men of that description if the captain wants to insist upon it. So that that difference does not depend upon a question of the port or the flag, but upon the question of the laws that you have got on the statute books.

Mr. LITTLEFIELD. But it exists just the same?

Mr. FURUSETH. One moment more.

Mr. LITTLEFIELD. That is a great combination.

Mr. FURUSETH. One moment more. There is nothing to prevent an American vessel now from making the same identical contract with the same identical men in the same identical place and taking them here and putting them on the American vessel.

Mr. LITTLEFIELD. Yes.

Mr. FURUSETH. Except that you have abolished the imprisonment in the American ports, so far as an American seaman is concerned, so far as American men in American vessels are concerned, and you have not abolished it so far as men in foreign vessels or steamers are concerned. This is a very rare case, because the ordinary thing that happens in all those vessels is this: Men are shipped in those foreign ports and taken to this country, and when they arrive here they desert, and they vanish for a little while, and then they ship on some other vessel, and the men who were on some other vessel ship on that vessel, and the vessel will have to pay the wages out of the port. This is only an extraordinary case, taken at an extraordinary time.

Mr. LITTLEFIELD. All true. Now, let me ask you a question. Is there any difference between the coastwise trade in the United States and the coastwise trade in Great Britain?

Mr. FURUSETH. There is.

Mr. LITTLEFIELD. Where is it higher?

Mr. FURUSETH. It depends entirely on the line of vessels that you are dealing with.

Mr. LITTLEFIELD. You know what I mean when I say the coastwise trade of the United States?

Mr. FURUSETH. I know perfectly.

Mr. LITTLEFIELD. Now, we will confine it to the Atlantic coast.

Mr. FURUSETH. Yes, sir.

Mr. LITTLEFIELD. Is there any difference between the coastwise wages, on the average, on the Atlantic coast and the coastwise wages in Great Britain and Norway?

Mr. FURUSETH. You are speaking of averages now?

Mr. LITTLEFIELD. Yes.

Mr. FURUSETH. Averages are extremely deceptive. Let me give you what the wages are, and then you can make the average for yourself.

Mr. LITTLEFIELD. Can not you get at it shorter than that?

Mr. FURUSETH. No, sir; I can not.

Mr. LITTLEFIELD. Do you know what the wages are?

Mr. FURUSETH. Yes. I can not get at it any way but that. I know what the wages are.

Mr. LITTLEFIELD. Are the wages higher or lower in the coastwise trade of the United States—

Mr. FURUSETH. That depends upon the vessel that you speak of.

Mr. LITTLEFIELD. Take a four-masted schooner.

Mr. FURUSETH. A four-masted schooner?

Mr. LITTLEFIELD. Or a six-masted schooner.

Mr. FURUSETH. That is a schooner less than 1,500 tons?

Mr. LITTLEFIELD. Less than 1,500 tons?

Mr. FURUSETH. Yes.

Mr. LITTLEFIELD. Oh, no; ordinarily more.

Mr. FURUSETH. Take 600 tons.

Mr. LITTLEFIELD. Take a seven-masted schooner, so far as I am concerned. Take a 2,000-ton fore and aft rigged schooner; are the wages any higher in the coastwise trade of the United States than of Great Britain, or lower?

Mr. FURUSETH. To begin with, you have not got in Europe a single vessel fore and aft rigged of 2,000 tons. And in the place of having that, the American vessel, that is, in the coastwise trade, a lumber vessel, is a single, decked vessel built to carry one-half of her cargo on her deck. If it is a vessel built for the coal trade, she is something similar in hull to the ship in the European trade, but her rigging and the number of men are very much less.

Mr. LITTLEFIELD. Sometimes she is single-decked and sometimes she is not. I have seen them, and I know. Are you familiar with all the vessels on the Atlantic coast?

Mr. FURUSETH. I am familiar with a great many.

Mr. LITTLEFIELD. I happen to live where they are built, and I have been there when they were being built, and I know the business they are built for.

Mr. FURUSETH. Yes.

Mr. LITTLEFIELD. Take a lumber vessel. Do you mean to say there is no comparison, that you have not any vessel in the coastwise trade of England or Norway that will compare with those in the coastwise trade here?

Mr. FURUSETH. These vessels in the lumber trade here?

Mr. LITTLEFIELD. Let me ask you this question—

Mr. FURUSETH. No, sir; you have not.

Mr. LITTLEFIELD. Let me ask you this question. Is there any difference in the wages paid in the coastwise trade and the foreign-going trade?

Mr. FURUSETH. In the foreign trade——

Mr. LITTLEFIELD. Let me ask you this——

Mr. FURUSETH. Will you not permit me to explain what the wages are?

Mr. LITTLEFIELD. Let me ask you this question——

Mr. HINSHAW. Let him explain it once.

Mr. LITTLEFIELD. If he gives the wages he can answer my question.

Mr. HINSHAW. You have not given him a chance.

Mr. LITTLEFIELD. He is not trying to answer my question.

Mr. HINSHAW. He has not had a chance to do so.

Mr. LITTLEFIELD. I have asked him several questions and he has not answered a single question.

Mr. HINSHAW. You have not given him a chance to do so.

Mr. LITTLEFIELD. I would like to ask whether I am examining this witness or whether the gentleman from Nebraska is examining him?

Mr. HINSHAW. You are, but I think you ought to give him an opportunity to answer.

Mr. LITTLEFIELD. I am quite familiar with the examining of witnesses myself, as well as the gentleman from Nebraska.

Mr. HINSHAW. I submit that he should be allowed to answer.

Mr. LITTLEFIELD. I know what the question is and I know how it should be answered.

Mr. HINSHAW. And I know what the proper treatment of a witness is.

Mr. LITTLEFIELD. Very true, and so do I. Now let us not be disturbed. Is there any difference in the rate of wages on the Atlantic coast and the rate of wages in the foreign trade? Are they more or less?

Mr. FURUSETH. They are more.

Mr. LITTLEFIELD. And how much more on the average?

Mr. FURUSETH. Now, I can not answer you on the question of the average. Will you let me give you——

Mr. LITTLEFIELD. You will not go any further than that. Can you give any idea of what percentage more?

Mr. FURUSETH. If you let me tell you what I know, you can figure it for yourself.

Mr. LITTLEFIELD. I will ask you this: Give the wages in the coast-wise trade on the Atlantic coast and then give the wages that you know in foreign ports. That covers your proposition, does it not, Mr. Hinshaw?

Mr. HINSHAW. Yes.

Mr. LITTLEFIELD. Give the wages on the Atlantic coast and then give all the wages you know in foreign ports. That will give the whole business. Take all your time and tell all you know. Go ahead.

Mr. FURUSETH. The wages on the Atlantic coast range from \$15 to \$35 a month. The wages in the barges, and there are a great number of them, and they employ a very large number of men, are \$15 a month. The wages from some ports down in Maine in some vessels are \$18 a month and further down south \$18 to \$20 a month.

Mr. LITTLEFIELD. What kind of vessels in Maine?

Mr. FURUSETH. Schooners—small schooners. Now, the wages out of New York, Philadelphia, Boston, Baltimore, New Orleans—no, cut

New Orleans out, because there is a very small number of sailing vessels there—but the wages out of New York are \$35 in a very big schooner.

I will give you now the highest. In a very big schooner, a six or seven masted schooner, the wages are \$35 a month. She would, if she was a square rigger, have forty men. She sails as a schooner with eighteen or nineteen, or at the most twenty men. The wages in a schooner of a smaller tonnage than that are \$25 or \$30 a month. The wages in a schooner smaller than that, less than 500 tons, are \$22 to \$25. The wages in a steamer going across the Atlantic—that is, the American Line—is \$25. The wages going from Boston along the coast and down to Habana, the Cuban Mail Line, is \$25. The wages in a "Red D" steamer are \$25 for sailors, those who are shipped in New York, and it is less at Curaçao for those who are shipped in Curaçao. Now, what that is I am not sure, but my impression is that it is something like \$16 a month. That is the coastwise trade.

Now take the foreign trade. The wages from New York around either of the two capes—around Cape Horn or around the Cape of Good Hope are \$18.

Mr. LITTLEFIELD. I did not ask you that. The wages in foreign ports. Before you give me that, I wish you would give me the vessels that give \$18 for men in Maine.

Mr. FURUSETH. I think I shall be able to furnish you with some names of those vessels.

Mr. LITTLEFIELD. You can not now?

Mr. FURUSETH. I can not just now, but I know that is as low as the rate goes. It is not so very many years ago when the wages out of South street, New York, ranged from \$16 to \$20, and West street \$14 to \$16, in the same sort of schooners that are now paying \$25 to \$30.

So far as wages in Liverpool are concerned, it depends entirely on where the vessel is going. If she is going across the Atlantic in the western ocean trade, as we call it, she will pay a little more than if she is going around one of the capes, and it ranges from £2 15s. in a sailing vessel to £3 10s.

Now as to the coasting wages on the English coast in a sailing vessel—and if there are any of them left now there can not be very many—when I sailed there the wages were £5 in a sailing vessel. I do not know whether there are any of them left, but I know that the wages, so far as the steamers are concerned, are now mostly paid by the week and they board themselves, and they are called weekly wages, being paid by the week. They range from 32 shillings 6 pence per week to 37 shillings 6 pence per week.

Mr. LITTLEFIELD. And they victual themselves?

Mr. FURUSETH. They victual themselves.

Mr. LITTLEFIELD. On our coast the men are all victualed.

Mr. FURUSETH. Yes. The average wage, then, of the English coast, exclusive of the victuals, will be somewhere from £5 to £5 10s., at the cost of the victuals there and the way they are doing it. If you go over to Germany, the wages out of Hamburg are higher than the wages out of Bremen.

Mr. LITTLEFIELD. Do they victual themselves there, too?

Mr. FURUSETH. No, sir.

Mr. LITTLEFIELD. What are the wages?

Mr. FURUSETH. It fluctuates constantly from week to week and month to month. I have a book which I had before the committee the other day in which the wages are given, not the averages, but the prevailing wages, as given by the consuls on vessels coming into those ports and leaving those ports.

Mr. LITTLEFIELD. For what year is that?

Mr. FURUSETH. 1903.

Mr. LITTLEFIELD. That is later than what I have here, 1903.

Mr. FURUSETH. The wages out of the Prussian ports of Germany—that is, the Baltic ports of Germany—are on the average \$2.50 a month less than out of the North Sea ports of Germany.

Mr. LITTLEFIELD. Is your report for 1903 a consular report?

Mr. FURUSETH. The report for 1903 is the report of a British commission appointed specifically to look into these specific things.

Mr. LITTLEFIELD. Do you know whether that varies from the wages in 1899? I have here a public document printed in 1900. I do not know what your recollection would be about that. Would your 1903 wages be substantially the same as the wages in 1899?

Mr. FURUSETH. That would be impossible to say, because the wages may be different within the same month, and be different to the extent of \$2.50 to \$5 in the same month and in the same port. It is impossible to say what that might be. It depends purely upon the amount of employment there, upon the number of men seeking it, and upon the kind of men that the vessel insists upon getting.

Mr. LITTLEFIELD. You have that report so that you could put that in your statement?

Mr. FURUSETH. I could not possibly put in the whole report, because it is a very big book.

Mr. LITTLEFIELD. Could you make an abstract of it?

Mr. FURUSETH. It is as big as these four books laid together and about that thick [indicating with books], and it is nothing but Government and consular records.

Mr. LITTLEFIELD. Without too much trouble, could you make an abstract giving the various leading ports and the rate of wages?

Mr. FURUSETH. Yes, sir; I think I can.

Mr. LITTLEFIELD. Of course you can not undertake to do that from memory.

Mr. FURUSETH. I simply wanted to make my statement as to that particular vessel, the *David*, because I could see very well that there was some misunderstanding about it. I gave the statement as to the wages paid and quarters, and so forth, the other day when I was before the committee.

(At 5.10 o'clock p. m. the committee adjourned until tomorrow, Wednesday, April 11, 1906, at 10.30 o'clock a. m.)

WASHINGTON, D. C., *Wednesday, April 11, 1906.*

The committee met at 10 o'clock a. m., Hon. Charles H. Grosvenor in the chair.

STATEMENT OF E. H. GARY, ESQ., CHAIRMAN OF THE BOARD OF DIRECTORS OF THE UNITED STATES STEEL CORPORATION.

The CHAIRMAN. Judge Gary, will you state your occupation, the business with which you are now connected?

Mr. GARY. I am chairman of the board of directors of the United States Steel Corporation.

The CHAIRMAN. How long have you been connected with that corporation?

Mr. GARY. Since its organization, April 1, 1901.

Mr. LITTLEFIELD. You are a lawyer by profession, are you not?

Mr. GARY. Yes.

The CHAIRMAN. Prior to that time did you have any connection with steel manufacture?

Mr. GARY. Yes; for some years I was president of the Federal Steel Company.

The CHAIRMAN. Where is your home?

Mr. GARY. In New York.

The CHAIRMAN. Your legal residence is New York?

Mr. GARY. New York City.

The CHAIRMAN. Judge Gary, the committee is interested in ascertaining whatever there may be in the reports constantly published in the newspapers that the United States Steel Corporation sells its products of steel manufacture—notably plates and other parts of ships, and railroad iron and steel—to foreign countries cheaper than in the United States. Of course, your attention has been called to this discussion through the papers; and I will be glad now if you will go on and make a statement in regard to that matter in all its branches, so far as you desire to speak.

Mr. LITTLEFIELD. Not only in respect to his company, but the steel industry generally.

The CHAIRMAN. Of course the question covers all your knowledge of the steel industries of the country.

Mr. GARY. I have no particular statement to make. I am not here to advocate any particular business or any particular proposition. I am quite ready to give such information as I have that is pertinent to the inquiry. Perhaps I ought to refer specifically to a statement made by Mr. Wallace, of Cleveland, Ohio, president of the American Shipbuilding Company, in which he says—

Mr. LITTLEFIELD. That is in the hearings before the Merchant Marine Commission?

Mr. GARY. Yes; you know better than I what it is. It is the report of the Merchant Marine Commission of the testimony taken at the hearings, Volume II, page 811. I quote from his testimony:

Recently one of our largest steel mills sold abroad 100,000 tons of steel plate. They delivered it, I understand, at Belfast at \$24 a ton.

On the next page there is this question by Representative Grosvenor:

Q. I want to know who bought the steel plate you speak of?—A. The Harlan & Wolff Company, Belfast.

Q. From whom did they buy it?—A. The United States Steel Corporation.

I notice that Mr. Wallace apparently speaks from information. If he had such information it was entirely unreliable. The statement is not founded in fact. The companies in which we are interested sold no ship plate in 1905 to Europe, only a little over 3,000 tons in 1904, not any in 1903, and I think not any in 1902.

Mr. LITTLEFIELD. To whom did they sell, Judge, in 1904?

Mr. GARY. We sold a little over 3,000 tons; I think it was in small, scattering lots.

Mr. LITTLEFIELD. Not in a lump?

Mr. GARY. No. Now, as a matter of fact, the export prices of ship plate at the present time are nearly equal to the domestic prices; and that is true of most of the commodities produced by our corporations. It is also a fact that the domestic prices of the manufacturers of the steel-producing countries are generally higher than our domestic prices, or the domestic prices of the manufacturers of this country. It is also true that the export prices of the manufacturers in foreign steel-producing countries are about the same as the export prices of the manufacturers of this country. It is a fact, however, that it is the policy of manufacturers generally throughout the world to sell at times a limited portion of their output for export at prices lower than the domestic prices.

Mr. LITTLEFIELD. And that rule prevails everywhere?

Mr. GARY. Everywhere. The particular reason for that is well understood. It is for the interest, I think, of the domestic producer at times to have surplus commodities sold for export at prices lower than the domestic price, for the total result is to reduce the price to the domestic consumer. It is well understood in manufacturing circles that the manufacturing cost of factory products is materially less if the factories are operated to their full capacity. Therefore the manufacturer seeks to keep his mills fully employed, in full operation. He does that for two reasons: First, to produce at the lowest cost, and, second, to keep all of his employees fully employed all the time. Sometimes, in order to keep his mills fully employed, there is a surplus product; the product is larger than the domestic consumers will take. That surplus is sold for export wherever it can be sold. The foreign country in those cases has been termed a "dumping ground."

Mr. LITTLEFIELD. And you have to sell at a price that will meet the market, or you can not dispose of the stock there?

Mr. GARY. Of course if you sell abroad you must meet the market there. At the present time, however, the prices, as I have said, are pretty nearly alike.

Mr. SPIGHT. How long has that condition existed, Mr. Gary?

Mr. GARY. It has been improving for two or three years, I think.

Mr. LITTLEFIELD. Has the domestic demand been increasing?

Mr. GARY. Yes; the domestic demand has been increasing, and the demand in foreign countries has improved also, so that the prices there are better.

Mr. HINSHAW. What proportion of your entire output do you think you ship out of the United States?

Mr. GARY. At the present time we are shipping abroad, I think, about one-twelfth.

Mr. HINSHAW. To what countries principally?

Mr. GARY. Argentina, Japan, South Africa, Mexico, and various other neutral countries.

Mr. LITTLEFIELD. Very little of your product, then, goes into steel-producing countries?

Mr. GARY. Very little of it, comparatively.

Mr. HINSHAW. In those countries that you speak of, with the products of what steel-producing countries do you come in competition mostly?

Mr. GARY. Germany, Great Britain, Austria, and others.

The CHAIRMAN. Belgium?

Mr. GARY. Belgium, Italy to some extent, probably. Germany and Austria and France, particularly, and Italy are very well protected. They have larger, better protection than we, as a rule, and Germany particularly, as I think you know better than I, pays pretty liberal bounties on the manufactured products that are exported.

Mr. LITTLEFIELD. Yes; they have the bounty system.

Mr. GARY. And of course they produce over there at pretty low cost; labor is so cheap.

Mr. LITTLEFIELD. Do you have equally as direct methods of communication for your freight to these various countries as do the Germans and Englishmen?

Mr. GARY. I can not answer that question offhand, but I think we labor under a disadvantage.

Mr. HINSHAW. How do you get your product into Argentina; under what system?

Mr. LITTLEFIELD. In what way do you ship it?

Mr. FARRELL. Direct into those countries.

Mr. HINSHAW. Do you have any difficulty in getting shipping facilities to take all the products you export to Argentina?

Mr. GARY. Sometimes we do; yes. That depends, of course, upon the demand at the particular time.

Mr. HINSHAW. And how about South Africa?

Mr. GARY. It is the same there.

Mr. LITTLEFIELD. Do you ship direct to South Africa?

Mr. GARY. Yes; I think we do.

Mr. LITTLEFIELD. In what sort of ships?

Mr. GARY. Of course the cost of shipment depends very materially at times upon the business to and from the various ports—whether there is a return cargo or not.

Mr. LITTLEFIELD. Regulating the rate of freight?

Mr. GARY. Yes; regulating the rate of freight.

Mr. LITTLEFIELD. That is, the cost of transportation is, of course, an important element entering into the question as to whether you can compete or not?

Mr. GARY. Exactly.

Mr. HINSHAW. Do you have to pay a tariff charge in Argentina and South Africa on your product when it goes into those countries?

Mr. GARY. We do generally, I think. We do certainly in Argentina.

Mr. FARRELL (secretary to Mr. Gary). Excepting that in South Africa there is a preferential tariff in favor of Great Britain.

Mr. HINSHAW. Except in South Africa?

Mr. FARRELL. Yes.

Mr. LITTLEFIELD. Judge, you have given in a general way the record of your own company, which of course controls a very large percentage of the total output of steel ingots, as I understand.

Mr. GARY. Yes.

Mr. LITTLEFIELD. About what percentage?

Mr. GARY. About 60 per cent.

Mr. LITTLEFIELD. That would be an average?

Mr. GARY. Yes.

Mr. LITTLEFIELD. I understand that in some products you do not control that amount, and in others perhaps a little more; but on an average you would say that you control about 60 per cent of the total output?

Mr. GARY. About 60 per cent.

Mr. LITTLEFIELD. Now, please state whether or not you have the knowledge to enable you to state what the fact is with reference to the other 40 per cent, as to the sales abroad during this same period that you have spoken of in connection with the United States Steel Company—that is, the proportion they are selling abroad.

Mr. GARY. I have not the same knowledge of the proportion of others, but I think ours would be a little larger in proportion; that is my judgment.

Mr. LITTLEFIELD. Precisely; so that the other 40 per cent would be less, if anything, in your judgment?

Mr. GARY. Yes. Our export business is small compared with the export business of some other countries. Germany, for instance, I think, exports at the present time at the rate of four times as much as we do, and England, I think, twice as much as we "ship."

Mr. HINSHAW. Does much of that product come into this country from Great Britain?

Mr. GARY. Some of it comes into this country, yes, at times.

Mr. HINSHAW. Do you suppose as much steel comes into this country from the other steel-producing countries as your corporation and the other steel producers ship out of this country?

Mr. GARY. I would only be able to estimate that; but I do not think so. I do not think so. Of course, if you will pardon me a moment, we are pressing this export business as far as we can practically for obvious reasons; among others because we want a place to put our goods, because it so materially affects the employment of our labor, and also because it so materially affects the balances of trade. The broad view of this question is that when we can justly do it, when we can fairly do it, we want to bring all the foreign money we can into this country. We are all interested alike in that.

Mr. LITTLEFIELD. In order to maintain proper commercial and industrial and mercantile conditions?

Mr. GARY. Yes; exactly.

Mr. LITTLEFIELD. So far as you can?

Mr. GARY. Exactly.

Mr. LITTLEFIELD. Steel rails enter into the figures that you have already given us, I suppose, as one of the items?

Mr. GARY. Yes. I think the average price of export steel rails at the present time is almost equal to the domestic price.

Mr. HINSHAW. Will you give the figures of the export and domestic sales of steel rails?

Mr. GARY. About \$28 for domestic trade, and slightly under \$27, I would say, for foreign trade.

Mr. HINSHAW. What is the figure for domestic trade, did you say?

Mr. GARY. Twenty-eight dollars.

Mr. SPIGHT. Judge Gary, I want to ask you this question in connection with your statement about the practical equality of prices for the domestic and export trade: Do you compare the prices f. o. b. to the domestic purchaser?

Mr. GARY. F. o. b. mill?

Mr. SPIGHT. Yes.

Mr. GARY. Yes; in both cases.

Mr. SPIGHT. And in export the same way? Or do you compare it delivered?

Mr. GARY. F. o. b. mill in both cases.

Mr. LITTLEFIELD. So that you have the same standard in each case?

Mr. GARY. Yes, sir.

The CHAIRMAN. Now, gentlemen, I will make a suggestion, if you will allow me to. When Judge Gary has finished what he desires to state, I suggest that each one of you gentlemen take him and finish what you desire to ask him, and then another one, and in that way we will not get our record all mixed up.

Mr. HINSHAW. It is hard to do that, because different matters suggest themselves as we go along.

Mr. SPIGHT. We do not want to confuse or unnecessarily interrupt Judge Gary.

Mr. GARY. It does not interrupt me at all. Of course, with reference to some of the details you may ask me, I may not be advised without consulting some of my assistants. I will give you cheerfully and frankly all the information I have on the subject.

Mr. LITTLEFIELD. I want to ask you just one question, and then I will subside in favor of Mr. Hinshaw. I simply wanted to draw out the fact, which I suppose may be obvious, with reference to your surplus product, Judge: If you did not have this avenue of export trade by which you could dispose of the surplus product, which is in excess of the domestic demand, you would either have to stop producing, and therefore lose the use of your mills and sustain a loss in that respect, or you would have to carry the surplus product on hand until the demand was created for it elsewhere?

Mr. GARY. Yes; but I do not think it would be practicable to manufacture and carry the surplus; it goes into money so fast. I think we would have to shut down our mills; and you know what that means in the disorganization of our forces.

Mr. LITTLEFIELD. So it really comes to that, then—that you would really have to increase the cost of manufacture?

Mr. GARY. Yes, sir.

Mr. LITTLEFIELD. If you were not able to run at full capacity?

Mr. GARY. That is true. If we did not run at full capacity we

would do two things: We would disorganize our forces, and we would increase our total cost of production; it would be the inevitable result.

Mr. SPIGHT. I would like to ask you right there, Judge, this question: Has your company ever delivered your products in foreign yards at a cheaper rate than you sell to the domestic customer at the mills?

Mr. GARY. The United States Steel Corporation is not an operating company, as you know; but I suppose you refer to our subsidiary companies?

Mr. SPIGHT. Your companies; yes, sir.

Mr. GARY. Yes; I have already stated that at times we have sold some of our products in foreign countries——

Mr. LITTLEFIELD. Not delivered?

Mr. GARY. Oh! Do you mean delivered?

Mr. SPIGHT. Yes, sir; delivered.

Mr. GARY. Oh, no, indeed. I am speaking f. o. b. mill.

Mr. SPIGHT. Do you know of any steel company that has delivered goods in foreign yards cheaper than they sold them at the mill to domestic customers?

Mr. GARY. I do not; I know of no such case.

Mr. HINSHAW. About what is the freight on the steel from your mills to England, say?

Mr. FARRELL. At the present time about 10 shillings a ton.

Mr. GARY. \$2.50.

Mr. HINSHAW. \$2.50 a ton; so that if the price is \$27 f. o. b. at your mills, with the freight added it would be \$29.50 at English points?

Mr. GARY. Yes.

Mr. HINSHAW. And what is the price there of steel f. o. b. at their mills, if you know?

Mr. GARY. It depends upon the commodity. The Great Britain home price of rails, for instance, is \$31.50, and the export price of Great Britain is \$25.

Mr. HINSHAW. F. o. b. at their mills?

Mr. GARY. Yes. In Canada the home price of rails is \$33, the export price \$33. In Germany the home price is \$30, the export price \$24. In France the home price is \$31, the export price \$25.50. In Austria the home price is \$31, and the export price \$25.50. In Belgium the home price is \$30, and the export price \$24. In the United States the home price is \$28, and the export price about \$26.60.

Mr. LITTLEFIELD. There is less margin in this country than anywhere else?

Mr. GARY. Yes; and the home prices, you will observe, are invariably larger than our home price.

Take structural material, including shapes, plates, bars, angles, and tees: In Great Britain the home price is \$1.60, the export price \$1.35. In Germany the home price is \$1.50, the export price \$1.25. In France the home price is \$1.65, and the export price \$1.45. In Austria the home price is \$1.50, the export price \$1.35. In Belgium the home price is \$1.55, the export price \$1.35. In the United States the home price is \$1.60, the export price \$1.40.

Our price of plates lately has slightly increased, because of the demand. Our customers generally, however, are covered for the season at about \$1.40.

Mr. HINSHAW. Upon what authority do you give those figures?

Mr. GARY. We have authorized publications which give all these prices from time to time. Our departments keep thoroughly posted and know exactly what the prices are in all these countries.

Mr. HINSHAW. And these figures that you read are taken from an authorized publication, are they?

Mr. GARY. These are figures that I have made up; I think there is no doubt that they are reliable.

Mr. LITTLEFIELD. Those are the figures upon which you are doing your business right along every day?

Mr. GARY. Exactly.

The CHAIRMAN. Mr. Hinshaw, will you let me put a question just there?

Mr. HINSHAW. Oh, surely.

The CHAIRMAN. Do you sell to the foreign demand upon orders received by mail, or do the agents of the foreign buyer come here? What I am trying to get at is this: If you have sufficient demand for all of your products, do you sell abroad at all, or do you only sell abroad when you can supply both demands?

Mr. GARY. Answering the first part of your question first, we have some agents abroad who take care of the field for us and who receive orders. We also receive orders here direct. For instance, the Japanese have been pretty good customers, and they have had representatives in this country. They pay cash in advance. They come to our office and do their business.

Answering the other part of your question, of course it is our policy, from a business standpoint, to take care of our own customers, to look after the interests of our own customers first. In looking after their interests we think it is wise to keep a foothold in the foreign countries, not to lose our connection with the foreign business; and therefore when the demand here is very great we sometimes sell abroad to some extent at a little sacrifice, so as to keep our position. But so far as we can maintain our business relations abroad we take care of our domestic purchaser first.

The CHAIRMAN. That is all I wanted to ask at this time, Mr. Hinshaw.

Mr. HINSHAW. This question may not be a proper one, but I will ask it: Your corporation manufactures 60 per cent of the entire output in this country, and other corporations about 40 per cent, you say, now?

Mr. GARY. Let me see—I gave some of the figures in our annual report, and if you will allow me to refresh my recollection—yes; about 60 per cent of steel ingots.

Mr. HINSHAW. Is there any arrangement between your corporation and these others by which the price of the domestic product or of the foreign product is fixed in the markets of the world?

Mr. GARY. With reference to certain commodities, the representatives of some of the leading companies have heretofore been in the habit of getting together for consultation, with a view of determining what should be the prices. In view of the criticisms which have been made from time to time, and published reports, which were in a large measure inaccurate, that practice has been to a large extent abandoned.

It is a fact, however, not disputed that, with reference to a few of the commodities (perhaps a very few at the present time), the presidents of corporations outside are in the habit of coming to our office for consultation with reference to prices. I do not mean as a regular thing, but with a view of keeping, so far as it is fair and right, in close touch with the situation; and in that way, no doubt, the prices in some of the commodities, at least, have been better maintained. We do not always agree. Sometimes we disagree very seriously and emphatically. The effort of our organization has been to steady prices, to prevent extraordinarily high prices or extraordinarily low prices. There have been times when the outside manufacturing corporations to which you refer have insisted that the demand justified very materially higher prices. That has been true particularly during the last year.

For instance, it would have been a very easy matter to sell rails at a very much higher price than \$28 during the last six or eight months. It would be a very easy matter now. But our corporation, with all its influence, has steadily protested against that, and has taken the very decided stand that we would not consent to it, and that if any other manufacturer sold at a higher price we would sell at the lower price. And I am very glad to say that the other corporations, in considering the question, have decided that was the fair thing to do, and have, so far as I know, kept these prices down. That is true of other commodities from time to time.

Mr. WILSON. The cause of that was the demand for this particular commodity?

Mr. GARY. Yes; it was because of the great demand. The demand for rails at the present time is far in excess of the capacity to supply them.

Mr. WILSON. At this time are you shipping rails abroad, or to any foreign country?

The CHAIRMAN. Mr. Wilson, we are trying to get along in a sort of regular way, and Mr. Hinshaw has the witness at this time.

Mr. WILSON. Oh, excuse me.

Mr. HINSHAW. No; I have no monopoly of the witness.

The CHAIRMAN. And we have gone over the whole subject that you have just asked about.

Mr. WILSON. I was not here then, Mr. Chairman.

Mr. GARY. I will say that we are to some extent, to a very limited extent, in rails, but only for the purpose of holding our position abroad. Of course we prefer not to sell any rails abroad just now.

Mr. HINSHAW. Considering the price of labor—

Mr. GARY. If you will just allow me to add one word—

Mr. HINSHAW. Go ahead.

Mr. GARY. At other times when the market is dull the tendency is the other way. Our disposition is to maintain parity of prices so far as we can. The consumers like it better. The average consumer is very much more interested in having prices maintained so that there shall be no extremes, either up or down, than in having very high prices sometimes and very low prices at other times. Then he knows what to do with the goods which he purchases. He knows what prices to make to his customers.

Mr. LITTLEFIELD. He knows how to make his contracts?

Mr. GARY. Yes; and I think you will find that testimony from our leading customers, like the Cramps, for instance. I think they would rather have us establish and maintain a fair price than to run the risk of having our prices very high at times, even though very low at other times.

In 1903, as you know, there was a tendency to decrease prices, and they did decrease more or less; and yet I think our influence was valuable in maintaining the prices, or at least in preventing the market from going to pieces, so to speak. Prices were lower, however. We are in sharp competition all the time, and we take care of our customers. We have to meet prices. Our prices at the present time, as I have said in the report, are very materially lower than they were in 1902. We have constantly reduced prices a little, although we have restored our wages and kept them up to about the same figure. If our prices in 1905 had been as high on the average as they were in 1902, I think it will surprise you to learn that our earnings during 1905 would have been at least \$50,000,000 more than they were.

Mr. HINSHAW. Considering the cost of labor and the material which you must buy or produce from your mines, is \$28 per ton for steel rails a fair price, or is it exorbitant, or would it render a revenue out of proportion to a proper valuation?

Mr. GARY. I think the price is moderate. When you take into account the amount in dollars and cents of our business for the year—last year, in 1905, it was a little under \$600,000,000, I think—you will find that the percentage of earnings was materially less than the percentage of earnings of the principal railroad lines on the same basis. If you take the New York Central and the Pennsylvania and the Illinois Central, the Chicago and Northwestern, and other great railroads, you will find that our earnings were less than theirs in proportion to the amount of business involved.

I think you will find also, when you take into account the actual selling value of the properties which we own, that our earnings are not a large return, not a large interest on the properties. And while we deal in large figures and show very large earnings it is largely, I think, because we have had the courage to expend very large sums of money all the time in the betterment of our properties, in the perfection of our machinery, and in the completeness of our organizations.

We are endeavoring to manage our business in such a way as you would manage your individual business, however small or however large it may be. We are not at war with our competitors. We try to be friendly with all our competitors in trade. So far as I know we have never antagonized them except in self-defense. Of course I do not mean to say that we do not take care of our customers. If our competitors in business undertake to get our trade away from us we take care of our own customers, and we meet their prices; but we do not make war on our competitors. We try to be friendly with them, and we try to take care of our employees. That is our first thought and our constant thought, and we try to conform with the law.

Mr. HINSHAW. Then there is real, genuine, active competition between your corporation and these others that produce the 40 per cent?

Mr. GARY. Indeed there is.

Mr. HINSHAW. I do not want to take up all the time, though I have a great many more questions.

Mr. WILSON. Mr. Gary, you spoke a few moments ago about the various presidents getting together in your office.

Mr. GARY. I did not say they got together at the present time; I said they met us.

Mr. WILSON. Well, they met?

Mr. GARY. Yes.

Mr. WILSON. That is what I meant to convey. Would you mind telling who they were, and what concerns they represented?

Mr. GARY. I would not mind; no. I have no objection. I know that a good many of them from time to time come in; the presidents—I could hardly give you the names.

Mr. WILSON. How many were there?

Mr. GARY. How many have come in at different times?

Mr. WILSON. Oh, no; when you had these meetings or gatherings?

Mr. GARY. I only spoke of their coming in individually.

Mr. WILSON. Oh; I thought you meant they came in together.

Mr. GARY. No; I did not mean that, as applied to the present time.

Mr. WILSON. I did not understand you at the time. Then it is individually that they come in? They do not come in as a body?

Mr. GARY. No; not at the present time.

Mr. WILSON. You do not have a meeting, then. That is what I understood.

Mr. GARY. Mr. Stackhouse, the president of the Cambria Steel Company; Mr. Felton, president of the Pennsylvania Steel Company; Mr. Wood, of the Maryland Steel Company, and so on. I could give you the names of a great many.

Mr. WILSON. I thought you meant you had a meeting purposely to discuss these matters.

Mr. GARY. Oh, no; I did not mean that exactly, at the present time. Our office is more or less headquarters, and they are always welcome, and they frequently come in. Of course I would do the same if I were in Pittsburg or Philadelphia or Baltimore; I would go into the office of the president there.

Mr. LITTLEFIELD. You confer and discuss about the business in which you are engaged?

Mr. GARY. Yes.

Mr. LITTLEFIELD. And of course that involves the prices and the details of manufacture?

Mr. GARY. Yes, sir.

Mr. HINSHAW. When you ship steel into England you do not have to pay any tariff, of course, do you?

Mr. GARY. No.

Mr. HINSHAW. When English factories ship steel into this country they must pay a tariff duty. Now, how does that affect the competition of English and German and other foreign producers of steel in the markets of this country in competition with your product?

Mr. GARY. I think the question was clear, but I do not believe I fully comprehend it.

Mr. HINSHAW. I will try to make it clear. How does the competition of England and Germany and other steel-producing countries paying a tariff duty to get into the markets of the United States affect you in selling to the domestic trade here? Does it give you a monopoly or a practical monopoly of the American market to the exclusion of these foreign factories?

Mr. GARY. Oh, no. At times they compete with us in such a way as to materially reduce our prices. Of course it depends upon the time, and it also depends upon the circumstances which may prevail at the time. Germany particularly is very aggressive. So is Belgium. They use this country as a "dumping ground" (to use that expression) probably to a very much larger extent than we would use theirs as a dumping ground. They have high protection, and I understand they pay large bounties on export business. You know it is the policy of the Emperor to take care of his country, regardless of all other countries, and at times German manufacturers come into this country with very low goods.

Mr. HINSHAW. You think that the bounty paid there about equals the tariff duty they must pay here, do you?

Mr. GARY. I should think that their tariff and their bounties together were very much more than our tariff. We have not sufficient information so as to be able to state how much their bounties are; but I think they are pretty liberal at times. I know they come in here with very low prices at times.

The CHAIRMAN. Judge, let me ask you right in that connection if it is not a fact that in Germany and in many of the other foreign countries the tariff and the bounties can be regulated without any act on the part of any legislative body? It can be done by order of the Crown, through its cabinet, can it not?

Mr. LITTLEFIELD. And more or less in a private and confidential way?

Mr. GARY. I understand so.

The CHAIRMAN. And therefore it is not a matter that the public can always ascertain?

Mr. GARY. No. Germany takes care of Germany, you may be certain; and other countries do the same. This is not the only country that is attempting to take care of itself.

The CHAIRMAN. May I ask you another question? Germany, to illustrate, and Belgium as much so, and France in large part, own their own railroads?

Mr. GARY. Yes.

The CHAIRMAN. So that in fixing their export bounties they can affect them directly by manipulating the freight rates on their own railroads?

Mr. GARY. They can do that.

Mr. LITTLEFIELD. On goods for export?

The CHAIRMAN. On goods for export?

Mr. GARY. Yes.

Mr. HINSHAW. So that, notwithstanding the tariff duty upon steel products, you are brought into active, genuine, real competition with England and Germany and Belgium in the domestic steel trade here?

Mr. GARY. We are.

Mr. GOULDEN. How does their product compare with ours in quality?

Mr. GARY. I do not think the foreign rails are as good, on the average, as our own by considerable.

Mr. LITTLEFIELD. You do not think they are?

Mr. GARY. I do not think they are.

Mr. LITTLEFIELD. Why is that, Judge?

Mr. GARY. It is a question of analysis and practice, both—a question of composition and also a question of practice.

Mr. GOULDEN. Is there anything in the skill of the laborer?

Mr. GARY. Of course in England some of the smaller articles are of very good quality.

Mr. GOULDEN. Is that true of structural steel?

Mr. GARY. I think so.

Mr. GOULDEN. Do you think any portion of the superiority of quality of the goods made in this country is due to the superiority of our labor? You know we are very proud of the skill of our American mechanics; we think they beat the world.

Mr. GARY. I do not think it is so much the quality of our common labor, to use that term, our wage-earner—

Mr. GOULDEN. I mean skilled labor.

Mr. GARY. As it is the more expert labor.

Mr. GOULDEN. That is what I mean—the skilled labor.

Mr. GARY. Oh, yes; I think it is largely attributable to that. Then, we have spent a great deal more money in perfecting our machinery. I presume some of you gentlemen have been in the mills in Germany and Great Britain and Belgium and in our mills; and if so, you probably have been surprised at the amount of money we have expended as compared with the amount of money they have expended.

Mr. GOULDEN. I want to say that I have never been in the German mills, but I have been in your mills, for I lived in the city of Pittsburg for many years; so that I know something about your mills and about the manner in which you keep them up.

Mr. GARY. Every time you go into them you are more surprised.

Mr. GOULDEN. I am, each time; I notice marked improvements.

Mr. GARY. Because we are spending a great deal of money, as you know, in that way.

Mr. GOULDEN. I know that. On the question of the matter of price, I can understand how your organization can regulate the maximum; but I am not quite clear how you are going to regulate the minimum price. Having 60 per cent of the output, you naturally must regulate the maximum price; but how do you regulate the minimum?

Mr. GARY. We can not regulate the minimum.

Mr. GOULDEN. You do not?

Mr. GARY. We do not; we can not. We do not expect to. We do try to influence it, so that the market will not go to pieces and disorganize our forces and shut down our mills and throw our men out of employment. We can not regulate it, however; we never expect to.

Mr. GOULDEN. No; I do not suppose you do.

Mr. GARY. We are not striving to do that.

Mr. GOULDEN. It is a matter of mutual organization, of course, between the outside and the inside organizations, for their own protection.

I notice that in the matter of export the foreign export prices and our export prices run about the same; and there almost seems to be a sort of uniformity in the difference between the export and domestic prices of steel output. How do you account for that? You gave

the figures a moment ago, and there was not a material difference in all the different nations. It struck me at the time that perhaps it would be a matter of some interest—it would be, at least, to me—to know just how that matter was regulated, except by the laws of supply and demand.

Mr. GARY. The laws of supply and demand, of course, do influence that; but they are not about the same—that is, there is considerable difference. For instance, take billets—the export price in Austria is \$22 and in Belgium \$19.50.

Mr. GOULDEN. I was thinking more particularly about steel rails.

Mr. GARY. Steel rails?

Mr. GOULDEN. Yes, sir; it was in my mind at the time, for I remember you gave that very fully.

Mr. GARY. Yes; well, they are within a dollar or two.

Mr. GOULDEN. They are within a dollar or two; the export and domestic prices of the output are within a dollar or two all the way through.

Mr. GARY. The home price of rails in Great Britain is \$31.50, \$28 in this country, \$33 in Canada, and \$30 in Belgium.

Mr. GOULDEN. And what are the export prices?

Mr. GARY. The export price in Great Britain is \$25, and the others run from \$24 to \$26.60.

Mr. GOULDEN. There is quite a uniformity about it?

Mr. GARY. Yes; if that might be considered uniformity.

The CHAIRMAN. On the contrary, there is a very wide margin, is there not?

Mr. HINSHAW. Is that table something that you could put into the record?

Mr. GARY. I do not see any objection to it.

Mr. HINSHAW. I would like to have it put in the record.

Mr. GARY. Very well.

(The paper referred to will be found at the end of Mr. Gary's statement.)

Mr. GREEN. In the matter of export and import prices, is it true that the immediate and transitory causes determine these matters from time to time in this business as in every other?

Mr. GARY. As I understand the question, I should say "yes."

Mr. GREEN. There is no difference between your business and any other?

Mr. LITTLEFIELD. I suppose "causes" there really means "demand," because that is really the factor that controls the equation, I suppose; is it not, Judge?

Mr. GARY. Yes.

Mr. LITTLEFIELD. I do not know, Judge, whether you are familiar with the existing tariff in the province of Ontario, and I do not know but that it prevails through the whole Dominion of Canada. Do you know what tariff they have on steel rails there?

Mr. GARY. \$7.84—just the same as in this country.

Mr. LITTLEFIELD. \$7.50 a ton?

Mr. GARY. \$7.84 a ton. They also have a bounty.

Mr. LITTLEFIELD. And they have also a bounty. There is only one steel-rail mill, I think, in the Dominion; that is at the Soo?

Mr. GARY. There are two.

Mr. LITTLEFIELD. Two?

Mr. GARY. Yes.

Mr. LITTLEFIELD. Where is the other one located?

Mr. GARY. One is at Sydney, and one is at the Soo.

Mr. LITTLEFIELD. And then in addition to that, Judge, if I remember rightly, they have what they call a "dumping clause?"

Mr. GARY. Yes.

Mr. LITTLEFIELD. That is, if the surplus output from any other country is landed in Canada, they increase that tariff. I do not remember just how much.

Mr. FARRELL. Fifty per cent of the regular tariff.

Mr. LITTLEFIELD. Yes; 50 per cent of the regular tariff—50 per cent of \$7.84 added right on to the "dumping" proposition?

Mr. GARY. That is right.

Mr. LITTLEFIELD. So that they have the same duty that we have, in addition to that bounty, and then, in addition to that, also a "dumping tariff" of 50 per cent of the regular tariff; and my recollection is that in addition to that they are now chartering railroads and requiring all their steel rails to be manufactured in the Dominion. Is not that the policy?

Mr. GARY. Yes.

Mr. LITTLEFIELD. I was so informed by the gentleman who operates the mill at the Soo.

The CHAIRMAN. Judge, do you know anything about any sales of steel rails being made by any American manufacturer to be delivered in Canada within the last year at \$20 a ton?

Mr. GARY. No; I do not.

Mr. PATTERSON. Do you know anything about any sales under any circumstances at \$20 a ton?

Mr. GARY. Within how many years? They have been sold in this country at \$16 a ton.

Mr. PATTERSON. I mean recently.

Mr. GARY (continuing). A good deal less than cost.

Mr. PATTERSON. That, I understand, was the price delivered in Canada. Do you know that they are being sold here?

Mr. GARY. I do not know of any. I do not say that they have not been; I do not know. I know they have been sold in this country at \$16.

Mr. PATTERSON. Oh, that was some time ago.

Mr. GARY. Yes; some time ago.

The CHAIRMAN. Judge, I want to ask you this question: I find that we imported in 1903 fifty-one millions, in round numbers, of steel and manufactures of steel, twenty-seven millions in 1904, and twenty-three millions in 1905. Have the exports—I have not them here—in your judgment equaled the imports?

Mr. GARY. They have more than equaled them, have they not?

Mr. FARRELL. Yes; but those figures, of course, include iron ore and scrap, largely.

The CHAIRMAN. I do not want the figures as to iron ore and scrap; I want those as to manufactured steel.

Mr. FARRELL. I should say that your figures of \$27,000,000 are correct, and that our exports would approximate about thirty-four or thirty-five millions.

Mr. HINSHAW. The fact that this subject has been talked about so much is the apology I offer for asking so many questions.

In the statement which you have read from, and which you say is given upon good authority and is correct, it appears that the United States for domestic use manufactures rails at \$28, and that none of the other countries named manufacture and sell them at home as cheap as the United States does by at least \$2. Thus, Great Britain's price is \$31.50, Canada's \$33, Germany's \$30, France's \$31, Austria-Hungary's \$31, and Belgium's \$30. Now, in all those countries we are led to believe that labor is much cheaper than it is in this country.

Mr. GARY. Yes.

Mr. HINSHAW. How do you explain the fact that in the United States steel rails can be produced for domestic consumption at from \$2 to \$3.50 per ton cheaper than they are produced for domestic consumption in these European countries?

Mr. GARY. In the first place, that does not prove anything, perhaps, with reference to the cost of production. These foreign countries may receive a larger profit than we do.

Mr. HINSHAW. Yes.

Mr. GARY. But in the next place, the perfection of our machinery and our organization in the main enable us to produce at pretty nearly as low a figure, in respect to many of these articles, as they are produced in the foreign countries. That is not true of all the products. For instance, I suppose that Neunkirchen, in Germany, taking the cheapness of labor particularly into account, can produce iron cheaper than we can. I believe they can. Of course they have a very decided advantage over us in labor.

Mr. HINSHAW. Probably one-half?

Mr. GARY. Yes; they do not pay more than one-half, I think; and we think one of the principal things to have in mind all the time is keeping up the price of our labor. Living prices are increasing a little all the time, and there are many reasons why the laborer should be entitled to as high wages as we can afford to pay.

Mr. HINSHAW. Would you mind stating what is the general price paid by your company for wages?

Mr. GARY. For the laborers?

Mr. HINSHAW. Yes.

Mr. GARY. Without attempting to be exactly accurate, I should say, at the present time, from \$1.50 to \$1.60.

Mr. HINSHAW. That is for the common laborers?

Mr. GARY. For the common laborers.

Mr. HINSHAW. In the case of skilled workingmen the wages will range much higher, I suppose?

Mr. GARY. Oh, yes; very much higher.

Mr. HINSHAW. On materials used in building ships for foreign trade there is no tariff, or there is a rebate which amounts to the same thing as being no tariff. That would enable any foreign producer of steel to ship it in here in competition with your product, to be used in the manufacture of ships for foreign business, on an absolute equality, and the tariff, therefore, if it gives you any advantage at all in any way, would not do so as far as concerns manufacturing ships for foreign trade, would it?

Mr. GARY. I think that is so.

Mr. HINSHAW. But how does the tariff affect the sales of your products in the manufacture of ships for the domestic trade or the coastwise business of this country, where the foreign producer of steel can not come into the country without paying the tariff duty?

Mr. BIRDSALL. What do you mean, as to difference in their prices?

Mr. HINSHAW. Yes; I mean, is there any difference between the price which you make to the manufacturer of a ship for use in the domestic or coastwise trade and the price which you make to one producing a ship for the foreign trade in this country?

Mr. GARY. Not so far as I know; no.

Mr. HINSHAW. It would be the same, would it?

Mr. GARY. It would be the same.

Mr. HINSHAW. That is, it would necessarily be the same, on account of the competition in trade?

Mr. GARY. Yes.

Mr. HINSHAW. That is all.

Mr. LITTLEFIELD. And in case of the importing of materials for the manufacture of the ship to be sold to one of your customers, I suppose you would do the best you could under those circumstances to meet the price?

Mr. GARY. Yes.

Mr. BIRDSALL. The testimony given here by Mr. Cramp yesterday was that he could purchase in this country the raw materials of iron and steel entering into shipbuilding as cheaply as they were sold to the shipbuilder on the Clyde or elsewhere to foreign shipbuilders. Now, I take it that in this material, of whatever character it may be, that goes into the construction of the ship, you are able to compete with the foreign producer without reference to the tariff question at all; in other words, that that line of material comes within the scope of the material that you have mentioned that you can produce here, notwithstanding the price of labor, as cheaply as it can be produced abroad?

Mr. GARY. I do not know as to that; I would not want to answer that question without further information.

Mr. LITTLEFIELD. The foreign manufacturer sells at a very materially lower price for export to this country than he does to his domestic manufacturers, does he not?

Mr. GARY. Yes.

Mr. LITTLEFIELD. Which, of course, enters into the equation.

Mr. BIRDSALL. Still, they are both selling to domestic customers in each case.

Mr. LITTLEFIELD. Yes; but of course they have to compete with the surplus from the foreign mills.

Mr. BIRDSALL. On that question, of course you are not selling to the shipbuilder at a loss?

Mr. GARY. Do you mean in this country?

Mr. BIRDSALL. In this country.

Mr. GARY. No; we are not at the present time; no.

Mr. BIRDSALL. You spoke of there being a gradual reduction—

Mr. GARY. We sell at pretty close margins sometimes; we have to.

Mr. BIRDSALL. Can you state approximately the character of the goods that you are not able to produce here as cheaply as they are produced in foreign countries?

Mr. GARY. No; I can not answer that question offhand. I have already referred to the subject of iron; of course that is the foundation for the steel. That can be manufactured into semifinished products, and finished products, perhaps, of some kinds, at a lower price abroad than we would produce it; but I can not give you the figures, and I do not like to guess at figures.

Mr. BIRDSALL. I have unfortunately not been here during the whole course of your examination; but if you have not stated it, I wish you would state, in a general way, upon what articles there has been a reduction in the selling price for the last few years that you have mentioned.

Mr. GARY. Our prices?

Mr. BIRDSALL. Yes.

Mr. GARY. Most of them.

Mr. BIRDSALL. Are steel rails within that category?

Mr. GARY. Steel rails have kept the same, or about the same—that is, larger sizes. On smaller rails, lighter rails, the prices have fluctuated materially at times.

Mr. BIRDSALL. And that is owing, I take it, to the constant demand in the trade?

Mr. GARY. Yes; that is controlled by supply and demand.

Mr. WILSON. Are you familiar with the freight rates between this country and the foreign countries?

Mr. GARY. No; I am not, particularly.

Mr. WILSON. You do not know what the rate is from Great Britain and Germany and France on steel rails?

Mr. GARY. No; I am not familiar with that. I think the rate from Great Britain is about \$2.50 at the present time—\$2.50 to \$3.

Mr. HINSHAW. Do you think that the removal of the tariff duty of \$7.84 a ton on steel rails would injuriously affect your business, now so thoroughly established?

Mr. GARY. I have no doubt about it.

Mr. HINSHAW. Why?

Mr. GARY. Because these foreign countries would use this country as a dumping ground to a larger extent, and bring rails in here and drive some of our manufacturers out of business. It would not affect us so much as it would some of our competitors who are less able to meet competition of that kind. Our companies combined are stronger, better established, have the raw materials, can produce a little cheaper, and have the advantage over our competitors. But I feel that we would be seriously affected and that many of our competitors would be driven out of business. I think that it would be a great injury to this country, particularly to the laboring element. That is my opinion.

Mr. GOULDEN. The export prices, however, charged by the foreign countries to-day, plus the freight charges, would not enable them to compete with you successfully in this country, even at the price at which you are selling, would they?

Mr. GARY. Their domestic prices?

Mr. GOULDEN. No; their export prices.

Mr. GARY. Oh, they would put them down.

Mr. GOULDEN. Oh, they would put them down in that case?

Mr. GARY. They would put them down.

Mr. HINSHAW. They also have a bounty in most of those countries?

Mr. GARY. Oh, yes.

Mr. HINSHAW. Do they have bounties in England?

Mr. GARY. No, I do not think so; I do not think England can produce the large tonnage at as low prices as Germany, by a good deal—such as rails, for instance. The mining of their coal is expensive and the veins are thin. They have poor grades of ore; they have to buy large quantities of ore, a large proportion of their ore, abroad, in Spain and Sweden; and I think it costs them a good deal more to produce pig iron than it does in Germany, for instance.

There are places in Germany where they have the ore and the coal right together, so that their mills are right at their ore mines, and they bring the coal not a very long distance in buckets over trolley wires. They use by-product ovens and utilize all their by-products; their labor is very cheap, and they produce at very low cost. They have to import some ore to mix with their native ores, but they make a basic iron that is very cheap and very good. They have a decided advantage over England, I think.

Mr. GOULDEN. We do not have to import any ore, do we? We have in our own domain all the different grades of ore necessary to make a first-class iron?

Mr. GARY. We buy a great deal of manganese ore from Russia and other foreign countries.

Mr. BIRDSALL. The removal of the tariff entirely would have a tendency, would it not, to cause the formation of an international trust for the maintenance of a uniform price throughout the world?

Mr. GARY. Well, it might be so. I could not say that that would probably be the effect; I do not know. That is a political question that you know a great deal more about than I do, I am sure.

Mr. BIRDSALL. I am only asking your opinion of its tendency. Is it not a fact that that is all that now stands in the way of the formation of such a trust—the refusal of American manufacturers to go into it for that reason?

Mr. GARY. My opinion, which is not of much value, is that these foreign countries generally know enough to take care of themselves, and they will do it. They are not at all interested in this country.

Mr. WILSON. Not any more so than we are in their countries, I suppose.

Mr. GARY. No; but there is this difference between Germany, for instance, and this country: The policy of this country is, of course, firmly established against monopolies, as it ought to be, and against anything and everything that tends to monopoly. But the German Emperor will do anything he can to establish a monopoly and maintain a monopoly if he believes it is really for the benefit of his country, if he really believes it will bring more money into his country.

Mr. HINSHAW. And he has power to bring about early action?

Mr. GARY. Yes.

Mr. GOULDEN. He is a monopoly in himself, is he not?

Mr. GARY. Yes; he is, indeed.

Mr. LITTLEFIELD. I suppose, Judge, that one thing that is true of all of those continental countries is that not one of them has any constitutional limitations upon its legislative action, and we happen to have?

Mr. GARY. That is very true.

Mr. LITTLEFIELD. That is a pretty broad differentiation, is it not, so far as economic questions are concerned, in their connection with legislation?

Mr. GARY. It is, indeed.

Mr. LITTLEFIELD. Is there a country anywhere where what we term "artificial stimulation," or governmental aid, if you please, or encouragement is engaged in to the extent that it now is in Germany?

Mr. GARY. No; I think not, probably.

Mr. LITTLEFIELD. And of course they have absolutely no limitations upon what they see fit to do; they can give bounties or propose tariffs or stimulation of any kind?

Mr. GARY. I think that at the present time Germany is the progressive country, and is the country that is taking care of its own industries particularly, and against which we must protect ourselves.

Mr. LITTLEFIELD. And they have absolutely no limit as to the manner in which they will do it?

Mr. GARY. They have no limit, and they are growing fast; they are increasing in strength rapidly. They would not like anything better than to see the tariff removed by this country.

Mr. LITTLEFIELD. They were engaged a little while ago in putting up one against us, which they a little later abandoned.

Mr. GARY. Yes.

The CHAIRMAN. Is there anything further from Judge Gary? If not, he is discharged. We are very much obliged to you, Judge.

Mr. LITTLEFIELD. Judge, have you any additional explanation that you would like to make in reference to any of these matters?

Mr. GARY. No; none at all.

The CHAIRMAN. If you should think of anything you want to add, you can write it out and send it to us.

(The table referred to by Mr. Gary in the course of his remarks is as follows:)

Comparison of present f. o. b. mill prices, domestic and export, on iron and steel in the principal producing countries.

| Country. | Rails. | | Billets. | | Structural, including shapes, plates, bars, angles, and tees. | |
|-----------------------|-------------|----------------|----------------|---------------|---|---------------|
| | Home price. | Export price. | Home price. | Export price. | Home price. | Export price. |
| Great Britain | \$31.50 | \$25.00 | \$24.00 | ..... | \$1.60 | \$1.35 |
| Canada | 33.00 | 33.00 | | | | |
| Germany | 30.00 | 24.00 | 27.00 | \$20.00 | 1.50 | 1.25 |
| France | 31.00 | 25.50 | 27.00 | \$20.50 | 1.65 | 1.45 |
| Austria-Hungary | 31.00 | 25.50 | 27.00 | 22.00 | 1.50 | 1.35 |
| Belgium | 30.00 | 24.00 | 27.00 | 19.50 | 1.55 | 1.35 to 1.40 |
| United States | 28.00 | 25.00 to 26.60 | 24.00 to 27.00 | 21.00 | 1.60 to 1.70 | 1.40 to 1.50 |

STATEMENT OF THEODORE JUSTICE, ESQ., OF PHILADELPHIA, PA.

The CHAIRMAN. Will you state your name, please?

Mr. JUSTICE. Theodore Justice; Philadelphia.

The CHAIRMAN. Might I ask you whom you represent, Mr. Justice?

Mr. JUSTICE. I have come here to speak for a very large element in the community which, so far as I know, has not yet been heard from. I represent the eighty-odd million people who will have to pay the

proposed subsidy. We are a large class, popularly known as consumers.

Mr. HUMPHREY. Do you represent any shipping interest?

Mr. JUSTICE. None whatever. I have not any interest in shipping, directly or indirectly. I may say that I speak more particularly for the men in the Middle West and in the Rocky Mountain region, who are deeply interested in this subject, and who regard it as paramount to any other now before Congress, without exception.

Mr. HINSHAW. Where do you live, Mr. Justice?

Mr. JUSTICE. In Philadelphia. The State that I represent would perhaps receive more material benefit than any other; but so far as I am personally concerned my share of it would be undiscoverable, further than the small fraction which every other eighty one-millionth decimal would receive.

But aside from the material side of the question (which of course would be, in the event of the passage of this bill, very important to all our people), my particular interest in it relates to what you may call the patriotic side; and my interest in it was aroused by a conversation I had with an officer on a German trans-Atlantic steamer who is a personal friend, and who revealed to me, in confidential moments, the utter weakness of our auxiliary mercantile marine as the second line to our fighting ships. This is a man who, like many others, has been educated at Government expense—German expense. They are transferred to the German mercantile marine, and hold themselves proudly in readiness to respond to the call of the German navy in case of war.

This officer said: "You have as fine fighting ships as are owned by any nation in the world. They are under-officered and undermanned, and you have not the trained material fully to man them in case of war. And further than that, you have no auxiliary reserve to fall back upon. You have no trained seamen; you have no engineers; you have nobody. Why, even your unprotected interests are so prosperous that a bricklayer gets \$4.50 a day for eight hours of work. Your boys will not go to sea and compete with the cheapest paid labor in the world, on the ocean; and that is why you have no men to fight your ships. You can make a fine parade, and your beautiful ships are admired when they come to every port; but in the first conflict with us we shall wipe you off the ocean, because after your first line goes down you will have nothing else."

That called my attention to our position. I am sensible of the immense advantages which have accrued to this nation through Government aid in many ways. I can remember quite distinctly when the Government land was given away to the transcontinental railroads—roughly, 200 millions of acres of land, valued to-day at a billion dollars. What is a billion dollars? How many millions is it? It is a thousand millions.

It was argued at that time that we were enriching a few at the expense of the many. But what has been the result? The granting of homesteads to laboring men free, the granting of large tracts of territory to the courageous men who invested their money in transcontinental lines, has built up this nation into what it is; and that act of Uncle Sam's in giving away so many millions of dollars, which was apparently for the benefit of a few at the expense of many, was the best bargain Uncle Sam ever made.

Take another instance: To-day, by Government aid, we, through irrigation, have provided for making fertile the waste places. That is another element or factor of Government aid which meets with the approval of everybody; of course to a smaller degree than the giving away of the land for the transcontinental railways, but it is in line with it. I am aware that by Government aid we have built up our manufacturing industries. I now allude particularly to the one with which I am most familiar, and that is the manufacture of clothing for the American people. Within ten years we imported half of it; half of it was made abroad. To-day, through Government aid, and in such a way that none of us feel the burden of it, we are supplying by American labor and through American mills 90 per cent of the clothing that is worn by the 85 million people. That is another element of Government aid and its importance.

We have, through Government aid, which you have heard discussed here to-day, established the iron and steel business, which never would have raised its head but for the Government system of protecting it; and to-day the output of iron and steel in the United States is greater than that of all the rest of the world put together.

We have one industry in this country that has been neglected and that has never been developed, but the time is ripe when it can be. In ten years, with the methods which this bill proposes, the United States will have a mercantile marine that will exceed that of Germany, if we only follow what Germany has done to build up hers; and in twenty years, with the maintenance of that policy, and with the system of making contracts that will be permanent and that will induce men to invest their money in this enterprise—for the American nation has grown enormously wealthy; it is a difficult matter now to get safe employment for capital, and we are ready to invest millions of dollars in an American mercantile marine if we can be assured that it will be a permanent policy, and that the Administration that follows this will not turn it all upside down and cause ruin.

We have, as you know, an enormous development in our steel industry, and we are prepared to build as fine ships as are made in any part of the world. We can build them almost as cheaply and as rapidly. The element that is lacking is the question of the competition of the labor of the men that are to run those ships; and that is a matter that is within the hands of the House of Representatives. The Senate has done its duty; the President stands ready to supplement it; two-thirds of this has been accomplished, and the other third depends entirely upon you gentlemen.

Do you take into consideration the fact that we are paying for the transportation of our foreign commerce 200 million dollars every year—money which is all spent abroad? In every five years there is a billion, and in every ten years there is two billion—2,000 million dollars which we are spending abroad for the transportation of American commerce, every dollar of which should be spent in the United States; not alone for the material benefits which would come to the people of the United States, but we are furnishing, every ten years, 2 billion dollars to foreign nations to strengthen their auxiliary navies in case of war against us.

It has been said, "Why should we build ships to carry our commerce when we have no commerce? Under our tariff we have been so enormously stimulated that 97 per cent of all of our products are consumed at home. We only export 3 per cent of our entire products. Why should we have any ships? What is the need of ships?"

That 3 per cent, in the year ending June 30, 1905, will represent a commerce amounting to 3 billions of dollars. We are exporting perhaps a billion 800 millions, and are importing a billion 200 millions. That shows a balance of commerce in our favor of 600 millions every year, and it is expanding. Through the methods which the gentleman who preceded me has described, through the perfection of our machinery, we are enormously expanding our output of everything; and the time is coming when we shall have a surplus just as the time has come to the most highly protected nation in the world when it is burdened with a surplus—that is, Germany.

We have got to find foreign markets. We can not find foreign markets if we send our merchandise in foreign ships; because the experience with which you are all familiar, the German practice, discriminates against us. We can not compete with other nations if they are to carry our commerce. We should be very much in the position of asking our enemy in case of war to carry our troops and our supplies. Is it likely that we could count on them? No; and it is no more likely that we could count on foreign nations to carry our commerce to foreign ports when it competes with their commerce.

But you must take into consideration that in the building up of this mercantile marine there is something behind the shipyards, which merely assemble the material. At the first thought of this subject, most people say: "Well, the benefit of this ship subsidy bill goes to the Cramps. Why should we make the Cramps a present of a million dollars?" Why, the Cramps are the smallest element in it. As I said before, they simply assemble the material that has been manufactured. There is the mine back on Lake Superior and in Alabama. There is the timber that enters into the ships, and that comes from all of our forests. Every part of the country contributes its share toward the building up of a mercantile marine, which, as I said before, is ready now to be built by the American people. We are like a giant with one arm; we have our fighting ships, which are one arm; we have not a mercantile marine, which is the other arm. So that (to take a homely illustration) in case of conflict we should be fighting with one arm, a man with two; we should only have one arm, and he would have two.

So that, to come back again to the importance of the ship subsidy as an auxiliary to our Navy, I consider the matter so important that even if this bill did not provide for a means for paying the cost, it would be cheap for Uncle Sam to pay every dollar of the cost of building up our mercantile marine from his own revenues.

We are feeling safe and quite secure just at present with our Navy. Very few people realize how inefficient it would be in case of a conflict, from the lack of an auxiliary navy. You are all familiar with the report of Admiral Sampson at the close of the Spanish war, after we had strained international law to the breaking point, and had procured the old tubs, which were all we could get; and although we had had only victories and no defeats whatever, Admiral Sampson

reported that we could not have continued the conflict another year without there having been brought very painfully to our notice our utter inability to carry on that naval war through lack of an auxiliary navy.

So, that this, in my judgment, is the question most to be considered. It is not a partisan question. Every Democrat in the United States who may feel compelled, through partisan pressure, to oppose this measure, is just as patriotic as every Republican; and he is just as proud of our Navy, and he must realize as much as any of us do the importance of supplementing it with a mercantile marine. And, as I said before, that duty rests upon the House of Representatives. The work is two-thirds done.

I represent to a large extent the woolgrowers of the United States, who are tending their flocks on the sunny slopes of the Rocky Mountains. They are deeply interested in this feature of this question. They do not realize how they are to be materially benefited from the profit which will result to this nation from the building of these ships; but they do realize that in case of conflict our very existence may depend upon the absence or otherwise of an auxiliary navy; and it is "up to you" gentlemen to produce that navy by passing this bill.

MR. SPIGHT. Let me ask you this question before you sit down, if you please, sir. You say that you come here to speak for the 80 millions of people who would pay this subsidy. Are you expressing their views, or only your own?

MR. JUSTICE. I am not sent here with any credentials; but I express the views which come to me through conversation with people with whom I am transacting business.

MR. SPIGHT. Do you know that the farmers' organizations and organized labor all over the country have expressed opinions directly in conflict with yours?

MR. JUSTICE. I saw by the papers that Mr. Gompers had been here, and I inferred from what I read in the paper that his opposition to this bill was because the shipyards that are building ships are not organized. Now, I may do Mr. Gompers much injustice; but it looks to me as though he was willing to sacrifice all the benefits which would come to this nation, including its very existence, by killing this bill through a technicality.

I wish that some of you, while Mr. Gompers was before you, had called his attention to this paragraph, which appeared in an Antwerp paper under date of December 3, 1905.

Numbers of American sailors who are shipped on board foreign vessels in American ports are discharged on their arrival in Europe. They are unable to obtain return engagements on account of the prejudices of foreign owners, and the local authorities can not assist in their relief. As a consequence, many of these sailors are now destitute in every port. For the relief of these sailors the American colony yesterday in Antwerp gave a gala performance under the patronage of the American and the British consuls.

Mr. Gompers's trade unions are organized to take care of American labor; yet he proposes to continue forever the conditions that are narrated in this foreign paper.

MR. SPIGHT. Do you know that the National Grange of the Patrons of Husbandry, composed entirely of the farmers of the country, has resolved emphatically and unequivocally against the enactment of this bill?

Mr. JUSTICE. I am not aware of that, but I should not be surprised to hear it.

Mr. LITTLEFIELD. I suppose, Mr. Justice, perhaps it ought to be said that one reason they suggest is that if we had more ships it would drive out the existing foreign ships, which could not be done without a reduction of the rate of freight; and a reduction of the rate of freight would directly affect every Patron of Husbandry. That is the argument they use.

The CHAIRMAN. We have had copies of it within the last forty-eight hours.

Mr. JUSTICE. There is no question about that. We realize that if we are to carry our own commerce, the foreign ships will be without commerce. That is true. Being without commerce, there will be increased competition. That is true. Increased competition means lower freight rates. That is true. Lower freight rates mean higher prices for the American farmer, because he can deliver his wheat in foreign markets at a cheaper rate.

I will illustrate: I am in the wool business. I am importing wool from Australia. I can bring it half way around the world for less money than I can bring it from Nebraska. The result is that I can go to the Australian farmer, by reason of my cheap freight, and I can pay him a higher price than I could pay him if I bought his wool at the Nebraska price. Of course that goes without saying. We all realize this, that an increase in our merchant navy means increased competition; but the importance of a mercantile marine as an auxiliary to our Navy is so very great that we can afford to pay for it.

I realize that it is quite possible that the bounties and subsidies which have built up the foreign mercantile marines may be increased and we may have to meet them; but we are richer than any other nation, and we can put our hands down in our pockets farther and deeper than any other nation; and at the same time you can not get away from the fact that the agriculturists of this country are to benefit by greater competition if it means cheaper freight for them.

Mr. GOULDEN. Mr. Justice, you will allow me right here to ask you a question? You say that we have no native trained seamen?

Mr. JUSTICE. Yes, sir.

Mr. GOULDEN. Will this bill so change the seaman's condition as to induce the American boy to go to sea, or the American man to remain there?

Mr. JUSTICE. I believe it will improve existing conditions very materially.

Mr. GOULDEN. What is there in the bill to do it?

Mr. JUSTICE. I understand that there is a small bounty provided. I understand that the Government is to have a claim upon the services of such apprentices, just as England has a claim upon 30,000 men of that kind. Now, there is an example of what we may do. We may have to pay more than she does, as we can afford to pay more. We pay to-day, under the Dingley Act, a dollar where England pays fifty cents for the same service. In Germany they pay 33 cents for the manufacturing of hosiery where we pay a dollar. We pay twice as much and more.

Now, carrying out those conditions in the same way and applying them to our mercantile marine, we may have to supply bounties.

That is the remedy. It is within our means, and we have got to decide whether a navy that is worth having is worth paying that price for.

Mr. GOULDEN. Has the coastwise trade developed skilled seamen; and if so, why are there so few Americans in the coastwise trade who are able seamen?

The CHAIRMAN. It is not profitable for them to remain in that trade.

Mr. GOULDEN. I am asking the witness.

Mr. JUSTICE. I gave before the illustration of the bricklayer. As long as a man can get \$4 a day for eight hours' work laying bricks, he is not going to sea. Now, you call that an unprotected industry. You can not import brick houses. It is protected by the Atlantic Ocean. No tariff protects that industry, yet it has the highest kind of protection, and a protection that you can not get around, that you can not repeal. That is why men are not following the sea. But the remedy is within your hands. You can pay the price. The question is whether what you get in return is worth the price.

And I believe that 85 million people, understanding this question as I think I understand it, would say unquestionably that if this bill has any faults it does not go far enough; but it is a good beginning. And I fall back to the patriotism that causes every American heart to throb—and this is a question that comes close to everybody. I presume those Americans who had ancestors that were active in the American Revolution (as I know General Grosvenor's were) feel it, perhaps, more deeply than those who are the descendants of immigrants who have recently come here. But the patriotism of an American-born man or even a naturalized man is something that it is glorious to behold.

Mr. GOULDEN. In your judgment, then, the bill does not go far enough?

Mr. JUSTICE. I do not think it does; but it is a good beginning. Now, we must not raise a dust and quarrel about the methods. You must not say, "Well, I won't play if I can't play my way." We all want the same thing. Let this start as an entering wedge; try the experiment; make contracts with these people that will induce them to put their money into ships, and give bounties enough to American men to lead them to follow the sea, and if it is not enough at the start, increase it.

Mr. GOULDEN. You stated a moment ago that 97 per cent of the entire product of this country, of every kind and character, was consumed here?

Mr. JUSTICE. Yes, sir; because this is the best market in the world.

Mr. GOULDEN. What was the percentage that you said went abroad—3 per cent?

Mr. JUSTICE. Only 3 per cent of our entire products go abroad.

Mr. GOULDEN. You did not give any figure as to the 3 per cent that we exported, did you?

Mr. JUSTICE. Well, yes; roughly, my estimate is one billion eight hundred thousand dollars.

Mr. SPIGHT. As an argument a while ago in favor of this proposition I understood you to refer to the Government aid to transcontinental railroads as one of the evidences of good.

Mr. JUSTICE. One of many.

Mr. SPIGHT. You know, I suppose, that one of those transcontinental railroads was built without a dollar of Government aid; do you not?

Mr. JUSTICE. I think the majority of the railroads received enormous grants.

Mr. SPIGHT. Do you not know that the Great Northern, James J. Hill's road, was built without a dollar of Government aid?

Mr. JUSTICE. That may be; but that road was built after the way had been blazed by the others, which never would have started but for the grants of land.

Mr. SPIGHT. They did not help him to build his road.

Mr. JUSTICE. But he came along later. Land grants are not required to-day. He is one of the later generation.

I hunted the buffalo with Buffalo Bill and General Custer on the Republican River in Kansas in 1868. There were no railroads then; the Indians were resisting the survey. I said at the time: "Why, whatever supports a buffalo will support a sheep;" and in fifteen years from that time I had a whole train load of wool sheared from sheep grazed on the Republican River and other parts of Kansas and Nebraska, where the buffalo and the savage Indian had been ranging. They would have been there to-day if there had been no transcontinental railroads; and there would have been no transcontinental railroads but for the grants of land which the Government found it necessary to make.

So I say that there will be no mercantile marine unless this House of Representatives initiates it by following out what is already, you might say, half or two-thirds done. For I assume that the President (who feels as deeply and is as patriotic as anybody), if there was no other consideration but that of the auxiliary to our navy, would sign the bill without the crossing of a "t" or the dotting of an "i," and would be glad to do it. And as I say, I want to impress upon you the fact that the nation looks to the House of Representatives to accomplish this great measure, which is perhaps the most important to the American people of anything that has ever happened to it, with the

Mr. HINSHAW. I would like to ask you a question. You stated that Germany had established her mercantile marine in the way that you desire this country to do. Will you please explain the method which Germany pursued in establishing her mercantile marine?

Mr. JUSTICE. I will so far as I can; and I want to ask you gentlemen to excuse me a little. I am so much impressed with the importance of this matter that I got up out of a sick bed to come here to talk to you.

Mr. HINSHAW. Just sit down while you speak, Mr. Justice.

Mr. JUSTICE. And I am not here in as good "fighting trim" as I would like to be to handle a question so momentous as this is to all the American people.

Mr. HINSHAW. I was interested as a matter of information to know how, from your standpoint, that was done.

Mr. JUSTICE. I presume that you know a great deal more about that than I do.

Mr. HINSHAW. No; not at all.

Mr. JUSTICE. I only know this: That Germany at one time tried free ships, and that would not build up her mercantile marine. Instead, it shrunk. Then the Germans adopted the system of pro-

tection, which induced the German nation to build its own ships; and in addition to that they subsidized ships to ports where there were markets and where Germany had a surplus of goods for which she could find no other market. The German Emperor is willing to go to the verge of war to find markets for his surplus. As an illustration of that, take his recent action with regard to Morocco. You know that we never knew, when we woke up in the morning, whether we should not find a condition of war, with England and France on one side and Germany on the other.

That brings me to the point where I would like, if my farmer friend here will permit me (referring to Mr. Spight), to show where he would come in in such an event. [Laughter.] You bring your wheat—I assume you are a farmer; you bring your Nebraska wheat to the Atlantic coast——

Mr. GOULDEN. He is a cotton planter.

Mr. JUSTICE. Is he? Well, that is worse yet; because I believe cotton is the largest part of our export trade. You bring your cotton to the Atlantic coast, and the English and the German nations are at war, and their mercantile marine has been withdrawn from America for military purposes. What are you going to do with your cotton? It would not bring 3 cents a pound on the coast. The Americans can not use it all; and it would be so with your wheat. You fetch your agricultural products to the coast; but these farmers, as you say, object to this bill.

Mr. SPIGHT. We will not have any trouble in getting exportation for our products.

Mr. JUSTICE. You do not to-day; but what would you do in case of war between Germany and England, which we have escaped only by a narrow margin?

Mr. SPIGHT. The world would have to have some of our cotton.

Mr. GOULDEN. And they would get it.

Mr. JUSTICE. But it would affect the price. You could not get enough cotton out of the country to keep up the price on what remains, and as a cotton manufacturer in New England I could come to you and get the cotton at whatever I chose to pay you, because you could not get rid of your surplus.

Mr. SPIGHT. How about cotton going down to 6 cents a pound when our Southern ports were blockaded during the civil war? What was the price of cotton then?

Mr. JUSTICE. Of course it is a difficult matter——

Mr. SPIGHT. \$1 and \$1.50 a pound.

Mr. JUSTICE. Exactly, in paper money; but if you could get at what it would be worth in gold, it was never cheaper in the world than it was on a gold basis.

Mr. SPIGHT. You can not scare the Southern people by that sort of a proposition.

Mr. JUSTICE. Last winter, on my first visit to the South, I found some very intelligent Southern people. [Laughter.] I hope you do not take that personally, because I disclaim making any reflections whatever; but I talked with a gentleman who is a State senator in Georgia, and he agreed with me that on a gold basis cotton during the war, when the Southern ports were blockaded, brought the lowest price it ever brought in its history; and that will occur again. Now,

you can talk about \$1.50 a pound when it takes a pound of paper money to pay for it, of course.

Mr. SPIGHT. Not \$1.50 a pound in Confederate currency, but in United States currency.

Mr. JUSTICE. Gold was at a premium then.

Mr. SPIGHT. This was \$1.50 a pound in United States currency.

Mr. JUSTICE. Gold was at a premium.

Mr. GOULDEN. Not so much as that, though.

Mr. JUSTICE. Of course there are temporary measures. I have seen the price of wheat in Chicago so much higher than at London, through a temporary arrangement, that it would have paid to ship it from London to Chicago.

Mr. SPIGHT. If that intelligent friend of yours told you that cotton was selling at that price in Confederate money, he did not understand the situation.

Mr. JUSTICE. Well, I believe in southern men; they are patriotic; and when a southern man tells me a thing, I believe him. He told me another thing which I will come to later, if you will remind me of it; but I want to go back to the question of this bill. I believe—

Mr. GOULDEN. If you will pardon a question right here, I want to get back to that matter of free shipping in Germany.

Mr. JUSTICE. Yes; we got a little away from that.

Mr. GOULDEN. Do you not know, as a matter of fact, that the German system or policy is to have free ships for her ordinary mercantile marine?

Mr. JUSTICE. No, sir.

Mr. GOULDEN. She buys them wherever she can—I am told that is a fact; but she only subsidizes fast mail steamships, which must be built at home. Others, however, can be bought wherever they can buy them. That, I am told, is an absolute fact.

Mr. JUSTICE. Of course your sources of information may be better than mine, but—

Mr. GOULDEN. Mine are very good.

Mr. GARY. But my impression, from talking with a German officer, is that Germany has established a tariff which, either through a bounty or in some other way, has encouraged the manufacturing and building of ships in Germany, and they are building the finest ships in the world.

Mr. GOULDEN. That is true.

Mr. JUSTICE. They are carrying to-day 50 per cent of the trans-Atlantic passengers that used to sail under the British flag, through the assistance which the Imperial Government has given.

While we are on this subject of Germany, I want to allude to another feature which is perhaps familiar to all of you.

It has been reported, and I believe it is true, that the Imperial family are large holders in the mercantile marine. They have two motives; one is to secure an auxiliary to the German navy; the other is the pecuniary benefit which comes to them from carrying American commerce. Now, that pecuniary benefit which comes to them through carrying American commerce has, I believe, been the means of causing Germany, in her recent bluff to the United States, where she tried to make us let her write our tariff law, throw up her bluff and put down her cards. They realized that in a tariff

war between the United States and Germany our commerce would go in British bottoms, and the Imperial family would lose the revenue which they now get on the commerce which Germany carries.

Mr. GOULDEN. That is your individual opinion?

Mr. JUSTICE. That is my individual opinion after talking with people that I think know better than I. And what caused that, if you will allow me? I want to lead up to this gradually: In making this new tariff law, where the Germans found that we were making articles which seriously embarrassed her—take bicycles as an example—in their new tariff they increased the duty upon bicycles and parts thereof to a minimum of 250 per cent, and a maximum of 500 per cent. That is the way Germany protects herself against the "American invasion;" and Germany protects herself against a war with the United States on the tariff in the same way.

They have backed down; and what caused them to back down was the fact that the American people, through their representatives in the Ways and Means Committee, very clearly showed that if Germany meant to make a reprisal against Americans, we should have a minimum and a maximum tariff. And a Representative from Minnesota, I believe, hit the nail on the head by introducing a bill which seems to have aroused the enthusiasm of the whole American people, providing that any nation that retaliated against us should have to pay 25 per cent additional duties upon anything exported to this country, even including things which are now free. The German people said, "Well, let us look into this."

The CHAIRMAN. I hope you will not discuss the tariff any further, Brother Justice; it is really not pertinent to the bill under consideration here.

Mr. JUSTICE. I am coming back, General, to the ship question, because this is a part of it; and I am leading up to what they found out—that there was not a thing produced in Germany that they sell to us which we could not get from England without any increased duty of ours in case of a tariff war; they might sell to us just as much as ever, but the transportation would be in British bottoms, and Germany would lose it; and they backed down. So that this is all part, I take it, of this discussion of the German methods of building up the mercantile marine.

The CHAIRMAN. The German method is the direct subsidy which she is pouring out in cash to her ships.

Mr. PATTERSON. I want to ask you a few questions; I feel an interest in that cotton matter myself. You are in the wool business?

Mr. JUSTICE. I am in the wool business. Cotton is a competitor of mine.

Mr. PATTERSON. What proportion of the fabric that enters into the making of clothing is wool and what proportion is cotton?

Mr. JUSTICE. Of course there are no data that are reliable. We can only estimate that.

Mr. PATTERSON. Yes.

Mr. JUSTICE. Since the price of wool has increased all over the world from 33 to 50 per cent, the price of clothing everywhere has increased so rapidly that the skill of the manufacturers has been taxed to know how to clothe the people without increasing the cost.

Mr. PATTERSON. I am talking about the proportion of material.

Mr. JUSTICE. And they have learned to twist wool around cotton and make a garment that looks like wool but that is really one-third cotton, and that is sold at such a price that you can buy a suit of clothes to-day at the same price as formerly which is one-third cotton.

Mr. PATTERSON. I do not care anything about that; I would just like to know something about the proportion.

Mr. JUSTICE. In the increased use of cotton all over the world as a substitute for wool, or as an admixture with wool, that has gone on to an enormous degree. The world's production of wool is less to-day than it was ten years ago.

Mr. PATTERSON. And from the fact of our plains being taken up and cultivated, it must necessarily decrease in the future, must it not?

Mr. JUSTICE. I think the maximum of wool growing in northern latitudes has probably been reached, because it is so much more profitable now in many sections to plow than to pasture.

Mr. PATTERSON. Yes. Now, my point is this—

Mr. JUSTICE. But, if you will allow me, before I go from that subject—

Mr. PATTERSON. All right.

Mr. JUSTICE. The Southern States have facilities for raising enough wool on their unoccupied land to supply the whole American people, if they will do so. That is an important industry which has been neglected there.

Mr. PATTERSON. You still do not get my point. I want to know the proportion of cotton and wool materials used by the world to-day. The wool that enters into it is a very small proportion as compared with the cotton, is it not?

Mr. JUSTICE. If you take the population of the world, there are a great many countries where they wear no wool at all. For instance, in hot countries they do not wear wool.

Mr. PATTERSON. Yes. Now, you say that in case of war between Germany and England we could not transport our cotton?

Mr. JUSTICE. Not all of it, as you do now.

Mr. PATTERSON. Who uses that cotton at the present time?

Mr. JUSTICE. England is the largest consumer, Germany the second, France next, and so on.

Mr. PATTERSON. England fixes the price of cotton for the world, does she not, through Liverpool?

Mr. JUSTICE. For the surplus; yes.

Mr. PATTERSON. Not the surplus; but is not the market in New York and New Orleans every morning fixed upon the basis of advices from Liverpool that morning?

Mr. JUSTICE. Liverpool is the central market of the world.

Mr. PATTERSON. The central market of the world?

Mr. JUSTICE. Yes, sir.

Mr. PATTERSON. Now, if those nations should get into war with one another, and if cotton is necessary as an article of clothing to them, do you not think they are going to come here to get it? They are not going to go naked, are they?

Mr. JUSTICE. No; they will not go naked.

Mr. PATTERSON. Then, if they are obliged to get it, we should not worry ourselves about it.

Mr. JUSTICE. With modern methods of warfare no war will ever last very long, and they could wear their old clothes until the war was over; but there would be an accumulation of product, and the price would fall.

Mr. PATTERSON. I believe it is said that we are making it too fast now, and they are trying to reduce the acreage.

Mr. JUSTICE. I have heard such thoughts expressed.

Mr. GOULDEN. As this matter of the grange has been referred to several times, and as I am a member of that organization (Mr. Spight and myself being farmers), I would like to have this paper go in the record.

The following memorial was presented by Representative Goulden, a member of the P. of H., as well as of the Committee on Merchant Marine.

NATIONAL GRANGE, P. OF H.,
OFFICE OF LEGISLATIVE COMMITTEE, April 6, 1906.

To the Committee on Merchant Marine and Fisheries of the House of Representatives, Fifty-ninth Congress:

In behalf of the National Grange we desire to submit our objections to Senate Bill 529, known as the "ship subsidy bill."

We understand the present bill differs from its predecessors in that its authors have tried to cover up the ugly words "subsidy" and "bounty" by the use of the term "subvention." Instead of providing for the payment of bounties to shipbuilders or owners of steam or sailing vessels the bill provides for the payment of "subventions" in amounts proportionate to the size of the vessels, the nature of the trade in which they are engaged, etc. A subsidy by any other name smells as rank, and the National Grange protests as earnestly against the use of public revenues for subvention to a few persons as against bounties or subsidies to the same class of citizens.

The language of the bill is obscure, perhaps intentionally so, but it is clear that under it there would be taken during the next ten years from the money raised by taxing the people of the whole country about \$50,000,000, which would be given to a small number of persons building or owning steam or sailing vessels. In return for this immense amount of money what are the taxpayers of the country, and especially the farmers, to receive?

It is claimed that as the result of this system of bounties the number of vessels built or owned by our citizens engaged in the foreign trade will be largely increased; that this will cause a reduction in freight rates, and that this saving in freight, in so far as it affects the exportation of farm products, would go largely to the American farmer. There is absolutely no proof of this contention, but on the contrary all past experience has shown that it is the foreign purchaser who gets the benefit of lower freight rates. Lower ocean rates mean lower rates from Canada, the Argentine Republic, Russia, India, Australia, and other competing countries, and as it is the competition of the products of those countries that fixes prices in the foreign market a reduction in freight charges would simply mean lower prices to the foreign consumer.

In fact, it can be shown that the result of the subsidy policy would be to encourage foreign competition with our farm products in neutral markets. If the effect of this legislation would be, as its advocates claim, to increase the number of vessels owned by citizens of the United States engaged in the foreign trade, it is evident that such vessels would displace a certain number of foreign vessels which are now carrying our farm products to foreign ports. These displaced freight vessels would have to seek freight elsewhere, and their owners would naturally try to increase the export trade in farm products of competing nations by carrying such products as cheaply as possible. The result would be to stimulate competition with our surplus farm products in the neutral markets in which they are now sold. It would seem that there is no good reason why the American farmer should tax himself in order that foreigners can buy our farm products at a lower price.

When challenged to show how the "subvention" scheme will benefit the farmers, its advocates fall back on vague generalities as to trade following the flag, and the increase in exports which they claim would result from having our goods shipped in vessels owned by our own citizens. But they have never been able to show that foreigners would buy more of our goods, merely because they were shipped on American vessels instead of foreign vessels. Foreigners are very much like Americans in one respect, they want to buy things as cheap as possible, and they will buy American goods when they are as good and as cheap as those of other countries. If our goods can be sold cheap enough, the foreigner will buy

them. If our products can not compete in price in neutral markets with those of other countries, we can not expect the foreigner to be so foolish as to pay more for the goods he wants just because they may be sent to him on an American owned vessel. The subsidy advocates complain that the foreign vessel carries freight so cheaply that American ships can not compete. This means that American producers get their goods carried to other countries on foreign vessels cheaper than they can be carried on American vessels, and there is no ground for believing that the foreign buyer will take any more of our goods shipped on an American vessel than on a foreign ship.

It is urged by the subsidy hunters that the cost of building vessels in this country is so much greater than in foreign countries that a Government bounty is necessary in order to equalize conditions. As a matter of fact the chief item of additional cost of American vessels is the high price of the steel plates, frames, bolts, etc., that enter into the construction of a vessel. It is notorious that the United States Steel Company sells steel plates, etc., to foreign shipbuilders at prices far below those charged American shipbuilders, thus directly aiding to encourage foreign competition and discourage shipbuilding in this country. If the believers in bounties will aid in getting legislation under which the steel trust will have to sell its products in the United States as cheaply as it does in foreign countries, our shipbuilders will soon be able to compete successfully with their foreign rivals.

By the National Grange:

NAHUM J. BACHELDER, *Concord, N. H.*,
ELLIOTT B. NORRIS, *Sodus, N. Y.*,
AARON JONES, *South Bend, Ind.*,
Legislative Committee.

The CHAIRMAN. I want to put into that record, in connection with that paper that Mr. Goulden submits, my individual protest, as a member of this committee, against Mr. Bachelder, Mr. Norris, and Mr. Jones undertaking to act for the National Grange of the United States. I knew perfectly well that the National Grange in its resolutions indorsed the idea of this bill; and these gentlemen come down here—

Mr. GOULDEN. Then they have falsified the record?

The CHAIRMAN. They have not made any record. They do not pretend that the National Grange passed on any such document as that. They do not claim it. It is simply the letter of three men. That is all.

Mr. GOULDEN. The legislative committee?

The CHAIRMAN. The legislative committee.

The chairman also submitted the following papers as part of the record:

Secretary of the Treasury Shaw, in his address before the American Bankers' Association on October 10, 1905, in Washington, said:

The markets of South America, South Africa, and the adjacent islands are just being developed. The eyes of the world are upon them. The merchant nations of Europe know where they are located, and they are establishing banks and warehouses within them, and they have already established regular and fast lines of steamers to them. The United States has neither banks nor commission houses nor warehouses in these ports, nor has it means of communication with them except through old, worn out, dilapidated ships, sailing under foreign flags and making 8 or 10 knots an hour.

Iowa was dotted with settlements long before railroads tapped the territory. In those days some grain was grown, and the little that was grown was hauled in wagons frequently 100 miles and sometimes more. A few cattle were fattened, and they were driven sometimes 400 miles to market. There were trails even then and sometimes roads. Some hogs were fattened. They were killed, their carcasses frozen and hauled to market—a process which consumed sometimes weeks and frequently entailed an expense exceeding the value of the freight carried. But in those days Iowa did not contribute very much either to interstate or to international commerce. Not until railroads encouraged by Government aid were built did her commerce multiply, and not until these became of the best did she take rank and contribute abundantly.

RESOLUTIONS OF THE TRANS-MISSISSIPPI COMMERCIAL CONGRESS, REPRESENTING TWENTY-ONE STATES AND TERRITORIES WEST OF THE MISSISSIPPI, AUGUST 22, 1903.

That the decline of our oversea American merchant marine from carrying 90 per cent of our exported products in American bottoms down to 9 per cent is an anomaly in the industrial development of the United States, and for a nation with a greater coast line and greater resources than any other, and an unbroken record of enterprise and intrepidity on the ocean.

That every ship is a missionary of trade; that steamship lines work for their own countries just as railroad lines work for their terminal points, and that it is as absurd for the United States to depend upon foreign ships to distribute its products as it would be for a department store to depend upon the wagons of a competing house to deliver its goods.

That it is the sense of this congress that the Congress of the United States should enact such laws as will tend to build up the American merchant marine.

TRANSMISSISSIPPI COMMERCIAL CONGRESS.

Representing all the States and Territories west of the Mississippi River, including Hawaii and the Philippines, in annual meeting at Portland, Oreg., August 19, 1905.

We unqualifiedly favor the progressive national policy on the part of the United States of fostering and building up an American merchant marine by every available means, and we respectfully urge upon the consideration of Congress the national importance of this question in the development of our foreign trade.

NEBRASKA REPUBLICAN STATE PLATFORM, AUGUST 13, 1903.

We favor such legislation as will make the seas give evidence that American-built, American-manned, and American-owned ships are carrying American foreign commerce to the four corners of the earth.

IOWA REPUBLICAN STATE PLATFORM, AUGUST 2, 1899.

That for the national defense, for the reenforcement of the navy, for the enlargement of our foreign markets, for the employment of American workmen, in the mines, forests, farms, mills, factories, and shipyards, we favor the enactment of legislation which will regain for American ships the carrying of our foreign commerce.

REPUBLICAN NATIONAL PLATFORM, 1904.

While every other industry has prospered under the fostering aid of Republican legislation, American shipping engaged in foreign trade, in competition with the low cost of construction, low wages, and heavy subsidies of foreign governments, has not for many years received from the Government of the United States adequate encouragement of any kind. We therefore favor legislation which will encourage and build up the American merchant marine, and we cordially approve the legislation of the last Congress, which created the Merchant Marine Commission to investigate and report upon this subject.

(The committee thereupon adjourned until to-morrow, Thursday, April 12, 1906, at 10 o'clock a. m.

COMMITTEE ON MERCHANT MARINE AND FISHERIES,

Thursday, April 12, 1906.

Committee called to order at 10.20 a. m.

The CHAIRMAN. We will hear from Mr. Plummer first.

STATEMENT OF EDWARD C. PLUMMER, OF BATH, ME.

Mr. PLUMMER. I notice by the record that there have been several statements made here intended to contradict what the Commission's report shows. One statement was that we did not feed better on the American ships than they do on foreign ships.

Now I want to say that it is recognized the world over that the United States Navy feeds better than any other merchant or naval service in the world. That is recognized. Now I have here the two schedules, and if you will compare them you will see that Congress compels us to feed sailors in the merchant service twice as well as Congress feeds the men on our battle ships.

You will find this on page 86 of the Navigation laws of the United States. And when I say that the sailors aboard our vessels are fed better, not only than the laborers in this country in general, but better than the skilled mechanics as a rule, I have only to refer you to page 86 of this law, and you will find that under it we are compelled to feed fresh fruit to sailors whenever it is on the market. How many mechanics get fresh fruit on their table whenever it is in the market? We are obliged to furnish every sailor $1\frac{1}{2}$ pounds of fresh meat per day? How many mechanics can afford $1\frac{1}{2}$ pounds of fresh meat per day? And the actual ration cost of the food which we serve on our vessels (and it is not optional with us, the law calling for 27 different articles, and if we run short of a single article a single day we pay a penalty of 50 cents per article per man for each day that we run short) is twice that of the ration cost in our Navy, which itself is far superior to any other outside the United States, so that the statement that we do not feed better on our vessels than other nations is absurd by the record, and you can easily investigate it.

As to the quarters aboard our vessels: As the Commission's report shows, we provide better quarters aboard our vessels than you can find elsewhere in the world; and any member of this committee who will go to Baltimore, Philadelphia, or New York and go aboard of the vessels there will know the truth of that. Forecastsles heated by steam radiators, provided with proper ventilation; ships with steam power to do all the heavy work, so that practically all a sailor has to do to-day is to steer and fall asleep on watch, as he did when the *Percy* and the *Wells* collided off Boston—that is the American vessel of to-day.

But it has been said, Why do we not have American sailors if our conditions are superior to the conditions of other nations? The answer is, gentlemen, that we have no future for the American boy to look at when he goes to sea.

How many members of this committee are aware that, including the vessels of the Great Lakes, the Atlantic coast, all our service, coastwise and foreign, we have nearly 10,000 less vessels to-day than we had in 1861? That is, that there are some 30,000 less offices which American boys can hope to gain than there were in 1861. The American boy is not controlled by his stomach and a chance to loaf. When there were opportunities, we had the boys. In 1854–1855 and 1856, when carpenters were getting \$3 to \$3.50 per day in Bath, the American young men of Bath were going to sea at \$8 and \$10 a month, and that condition was not unusual. In the seventies, when there was a fresh revival of shipping, American men began to rush to sea, and I might mention the case of the present commander of the ship *William P. Frye*, a man who was in college, but ran away from college to go to sea, because he wanted to become a shipmaster.

But boys are not running away to go to sea now. The total number of our vessels is decreasing, and men who have become ship captains find themselves being put out of employment as the vessels disap-

pear and none take their place. I could name many captains between 40 and 50 years of age thus retired. Most of the present mates on the Clyde Line, for example, have been captains—masters of vessels.

It has been objected that this bill calls for conscripts, and so it is objected to by the International Seamen's Union. There are two very complete answers to that criticism. In the first place, the bill merely provides that one-quarter of the crew shall be naval reserves, and next it provides that those reserves shall be American citizens. Now, as the International Seamen's Union is composed of about 95 per cent of foreigners, and they are not eligible to serve as reserves, they naturally object to a bill which would put Americans in their places; and the 5 per cent who might want to become reserves constitute such a small proportion of the crew which does not have to become naval reserves that they would not take much interest in it.

The men who want to be free to take American wages in time of peace and to run in time of danger are not the kind of men we want in the service, and they are not the kind of men to dictate American policies. I know these fellows, because I recruited for the United States Navy during the Spanish war, and I never succeeded in recruiting a single International Seamen's Union man; but I did have men who received \$16 a month, graduates of Yale, Columbia, and Bowdoin colleges, and I want to say that those men never found fault with the rations or quarters, and were always cheerfully obedient, for as paymaster I had to know about the rations, and who made complaints.

Now, it has been said that one reason that this bill should not pass is because builders in the yards are opposed to organized labor. I want to speak of the firms of which I have personal knowledge, and to flatly deny that statement. The older members of this committee know that I have been representing the shipping men of the typical shipping city of Bath for many years; and while representing them in 1899 I myself organized the shipwrights of the city of Bath, and I secured for those workmen increased wages. And what the laboring men of Bath think of me as the attorney of the shipping men is fairly well evidenced by this piece of jewelry—a watch—which is appropriately engraved, and shows from whom I received it; and if I am any judge of recent events, the laboring men of Bath still have the same feeling for me, and think that I am working for their interest rather than these imported leaders who are opposing this bill and the real interests of the American workingmen. And as it would require the building of at least 1,500 vessels to do the business which this bill calls for, it is absolutely certain, whether the bill be economically sound or not, that labor is bound to be the beneficiary, and the people, in the shipping districts, at least, know that. And I want to say, as emphatically as language will permit, that no man speaking for the laborer alone can honestly oppose this bill, which, in the preparation of material and the building and operation of these vessels means new and additional employment to armies of American workmen.

But it has been stated here that we can not compete with foreign shipping men, when in other lines of business we do compete. That is one of those propositions which can be answered evasively in two or three ways and still mean the same thing. Any man who knows anything about building ships knows that unless you build by the

wholesale and keep your crews employed you can not compete with the men who do build by wholesale. If you give me a contract to-day for a tramp steamer I have got to make the wooden patterns for all castings, and on the average the pattern will cost me three times what the casting itself will cost.

Mr. LITTLEFIELD. First you have to make the drawings?

Mr. PLUMMER. Yes; then the patterns, and then the castings. But you give me a yard such as you find on the Clyde, where they have 15 to 20 slips altogether, and my chances to operate as they do there, using the patterns over and over again, will give me a very much greater advantage—and, by the way—that is what they are doing in Bath. There is a windlass concern there, a concern that manufactures windlasses and sells them abroad. We have the patterns made; we are expert at it to-day, and we can build steam windlasses and sell them on an equality with anyone.

Mr. SHERLEY. Are you subsidized on that?

Mr. PLUMMER. No; we were protected by a prohibitive tariff as to the importation. We have the market, and they can not import windlasses into this country.

Mr. LITTLEFIELD. There are some patents on the processes, too.

Mr. PLUMMER. The Hyde patents. But what I am coming to is this: As you know, by standardizing we have become so that we can build steel bridges cheaper than any nation in the world. By standardizing, by doing a wholesale business, we produce locomotives cheaper than any nation in the world. Now, you put a locomotive into a steel bridge and you have got a steamship, so far as the quality of the work is concerned; but you can not do that until you have gone into the wholesale business, and have the patterns and the expert men.

For example, suppose I am bending frames for a ship. We take a straight piece of iron out of the furnaces and put it on the checker-board floor, and we bend it around the pins there. Naturally, the pins can not be set exactly right, as they must be placed where the holes in the floor are, so the men go at it with sledges and bring the frame to line. If the men are expert they will get it to the curve of the ship, with a few blows, but if they are not expert they will pound the iron to force it in or out, now too much, and again too little, and get it out of true. You can not put that iron back in the furnace and heat it over again, because it is crooked, and so you have to use it in its imperfect condition and use "shims" to fill in the slack places. And when you get through you have not as good a ship as you otherwise would have, and you've expended a great deal of useless labor. I undertake to say this, and I can back it up by the testimony of the man who built the *Monitor*, that given the same opportunity we can beat the men on the Clyde. It must not be forgotten that at the conclusion of the civil war, we, by doing Government work, had become the leaders in iron shipbuilding.

The testimony taken by Congress through the Lynch Commission shows that all the objection there was then, the only obstruction to our shipbuilding, so the shipbuilders said, was the extremely high cost of material; and Congress never gave us the relief from that until we were entirely out of practice, until the foreigner had secured the market and had become the wholesale producer. Now, Congress having put us out of business should put us back, and if we can not make good

just as we did before, Congress has the power in ten years to throw us overboard.

Mr. SHERLEY. Do I understand that protection destroyed the ship-building industry?

Mr. PLUMMER. The high price of iron did it; yes, sir. We always led in marine matters. Men often say—you will see it in newspapers—that it was the change from sail to steam that put us out of business. Now I want to say as to that—

The CHAIRMAN. Perhaps you had better add at that point that the high tariff operated as it always has, to cheapen production in this country to the present low rate.

Mr. PLUMMER. Yes, sir; it was that high rate of protection which made the gigantic iron business possible, and now makes it possible for us to beat the Englishman on his ground—to sell our steel bridges and other steel products in competition with him the world over.

Mr. SHERLEY. Meanwhile the shipbuilding is out of business?

Mr. PLUMMER. It certainly is. During the war we were in practice and we proved what we could do. What we have done once we certainly can do again. But I want to say this, as regards the steam and sailing vessels; do not forget that we led the world in the type of sailing ships, and we led the world in steamships in the fifties. We had the best vessels in the world then. We built the steamship *Adriatic*, and she was not beaten by any country until the seventies.

Now as to the result of these subsidies; I have here the report of the British Consul O'Neil as to the effect of the French subsidy, the report of 1896, and it shows that the saving made to the people was simply gigantic. I have here the report of the Collins Line; you can all read it. There was a straight subsidy, and you will remember the first result it brought was that as soon as the Collins Line began running, the freight rate across the Atlantic dropped \$4 a ton on general merchandise; and the saving to our people on the freight charges they had to pay was some six times the annual cost of that subsidy, to say nothing of the fact that the Collins liners were naval reserve vessels just the same as it is proposed to have our vessels now.

Although the Cunard subsidy was almost identical in amount with ours, only about \$30,000 difference, we produced better vessels and faster vessels and beat the Cunard on the average a day on every voyage across the Atlantic. And I want to say that when it was proposed to take the subsidy away, among the men who stood up and fought to continue it was one of the greatest jurists that the South ever produced, or the world for that matter, the Hon. Judah P. Benjamin. He knew its constitutionality, he knew it was a policy fathered by great southern statesmen like King, of Georgia; and Rusk of Texas; advocated by President Polk, and championed by Lewis Cass, and he stood for the Thomas Jefferson doctrine of a merchant marine as a national necessity.

Mr. SHERLEY. When was that?

Mr. PLUMMER. That was in 1858.

Mr. SPIGHT. What became of the Collins Line when the subsidy was withdrawn?

Mr. PLUMMER. It went to pieces and was sold.

Mr. SPIGHT. What would become of the entire subsidized lines if they should be granted subsidies, and then withdrawn?

Mr. PLUMMER. If in competition with subsidized lines, the American lines from which the subsidies were withdrawn would certainly go under.

Mr. LITTLEFIELD. In addition to that the Collins Line lost two or three of its best vessels just about that time, and it was simply impossible for them to revive without aid.

Mr. PLUMMER. What I am getting at is this: In a fair competition we can do as we always have done, hold our own in the markets of the world, and, I think, beat our competitors there. I think, in reply to Mr. Sherley's suggestion, or implied suggestion, that, given the practice, we ought to be able to produce manufactured goods more cheaply than the foreigner, will hold true in this country of ships any time we can get firmly established and build standard types at wholesale.

Mr. HINSHAW. Will you permit me to read a short extract from the editorial page of the Washington Post of this morning, and to ask you what you think of it: (Reads)

Our manufacturers compete in neutral markets throughout the world for trade in locomotives, steel rails, sewing machines, farm machinery, and scores of other products of skilled labor. Higher wages are paid in Pittsburg than in any other town on earth, and yet, daily and hourly Pittsburg sends abroad cargo after cargo of manufactured products, and successfully competes with all the paupers in the world. And if we do not do the like in ship making it is because we will not, and not because we can not.

Mr. HINSHAW. What do you think of that proposition?

Mr. PLUMMER. My answer would be this, that if the proprietor of the Washington Post will to-day offer a contract for 30 steamers, all of the same type, to be built by any big firm in this country I will undertake to say that our people will take the contracts as cheaply as the people abroad. It is the duplication and wholesale building that makes the saving. I have been studying this question at home and abroad for fifteen years. I went into the yards of Europe, not for anybody else, but as a newspaper proprietor to find the facts.

When I returned I reported to Mr. Arthur Sewall what I found, and he went abroad and came back saying the same thing. I say as John Roach said, and as many others have said: "Give us a chance, and we will build vessels as cheaply as abroad," but we can not do it now. The European yards are ahead of us in appliances, in skilled men, and they can build by wholesale. Any yard having enough vessels on the stocks to keep crews of men steadily employed on a single branch of construction will have experts throughout and can beat a yard building but one vessel at a time out of sight. Why can we build schooners in Bath cheaper than anywhere else in this country? Because we build by wholesale.

Mr. HINSHAW. Then you don't think, as did a witness yesterday, that the subsidy would be obliged to continue beyond ten years.

Mr. PLUMMER. That is one of those questions that ought to be limited, as I said to Mr. Spight. If we have got to compete with subsidized lines we have got to have the subsidy. But if we are to compete against freighters that are not assisted, then in ten years I believe that we will be able to compete. And the fact that we were able to compete in the years gone by, as shown by the Lynch Commission, shows that it is not an estimate, but an actual statement of fact that I am making.

Mr. SHERLEY. Your idea is this, that with the other countries now subsidized, the question of supremacy, or even competition, is dependent upon the labor rates of the respective countries?

Mr. PLUMMER. In that particular line.

Mr. HINSHAW. I understand that England does not subsidize cargo carrying vessels.

Mr. PLUMMER. Not directly. England has no tonnage tax, but she has a light tax used to maintain a marine hospital, for which our vessels are taxed, so that in an indirect way she subsidizes those lines. She has a naval reserve that she pays subvention to—

Mr. MINOR. The White Star Line and the Cunard Line receive subsidies.

Mr. PLUMMER. Yes.

Mr. MINOR. Have you any means of knowing how many cargo ships may be owned by those lines?

Mr. PLUMMER. That is one of the points I attempted to make before the Commission some time ago. If I am running a mail line from here to a certain point I have my wharves there and my offices there. Those vessels, being mail lines, are subsidized. But I am in a position then to take freighters there and care for what cargoes I do not carry in my fast ships. The benefit to my mail ships, therefore, would go to the freighters also, because it is the subsidized liners that maintain the terminals and the official force there and make it possible for me to take freight at a cheaper rate.

Mr. LITTLEFIELD. In other words, you control the business.

Mr. PLUMMER. Yes, sir. The Collins Line, as you will remember, cut the freight rate nearly \$4 a ton. Now, in 1901 and 1902, when the Atlantic transport fleet of big freighters came on, encouraged in part by the hope of a shipping law, the freight rates went to the lowest point on the Atlantic that they ever went, and grain went across for 62 cents a ton, and compressed cotton for 12 cents a hundredweight.

Mr. SHERLEY. Let me ask you whether the amount of the subsidy that is to be paid the lines is estimated to-day on what their earnings would be at present freight rates, or is it estimated on what their earnings are going to be when this remarkable reduction takes place that you are prophesying?

Mr. PLUMMER. Of course, you understand that the Commission, in their own wisdom, arrived at those figures; I don't know how.

Mr. SHERLEY. What is your judgment?

Mr. PLUMMER. My judgment is that the \$5 a ton will just about make good the difference in the cost between the freighter of Norway, France, and England and the American freighter; and if freights go down they have got to go down at the same time we go down. If we don't do the carrying the Government pays nothing, and if we do the carrying it will be because we have taken the cargoes more cheaply than the foreigner could. If we do the carrying, or a large part of it, we distribute to our own people from one to two hundred millions of dollars which now go to the foreigners—to employ their people instead of ours.

Mr. SHERLEY. If, now, this is simply sufficient to put you in a position where you earn a reasonable return for the work performed and the money invested, and freight rates subsequently come down as the result of your entering the field, you then get a less return. Does not your business then become unprofitable?

Mr. PLUMMER. No, for this reason: In 1901 and 1902, if you will look at the Marine Record, you will find that there were anchored in New York Harbor 100,000 tons of foreign tramp steamers. Those vessels, with old-fashioned engines and wasteful boilers, could not compete with the modern high-class vessels; but vessels like the *Celtic* and the *Baltic*, vessels carrying from 20,000 to 25,000 tons and others carrying from 12,000 to 15,000 tons, could stay in the business. We can not take the vessels we have here now and put them in the trans-Atlantic trade. The trans-Atlantic trade calls for the building of a lot of new economical freighters, and there is where the saving to our people is going to come.

Mr. SHERLEY. You have not answered my question. If I understand you now, your subsidy will simply enable these ships, the big ships, to conduct their business with reasonable profit based upon present freight rates?

Mr. PLUMMER. Yes, sir.

Mr. SHERLEY. Now, if that be true, when these big ships are built, freight rates, by virtue of their being built, are going to be reduced. Don't it follow, as a matter of common sense, that if at present prices they would only be getting a reasonable profit, that at lower prices they would not be able to get a reasonable profit?

Mr. PLUMMER. I am talking about the vessels we now have. Men are not going to build new vessels unless they see reasonable profit. The Sewell people are not building a vessel now, but they have plans for an economical type as soon as they see encouragement to build.

Mr. SHERLEY. To get back again. The purpose of this subsidy, as I understand it, is to increase our merchant marine. It is not going to increase it unless the ships are built. If the ships are built, and they come within the conditions just stated by you, how do you get around your proposition that if the subsidy is paid to vessels that simply do business at a reasonable profit with freight rates at the same price, should they reduce the freight rates, will they not make the business unprofitable, and then will they not have to come back for an additional subsidy because they have reduced their freight rates?

Mr. PLUMMER. As I understand it, this subsidy is sufficient to enable the vessels which we did have constructed and in service to compete in the foreign trade. The large vessels which are being built will be more economical, and ought to yield a good, fair profit at the present rates; and my idea is, as I tried to state, that in the building of new vessels the economies that would be introduced would be such that at the end of ten years the lower cost of production and the lower cost of operation, as we have illustrated on the Lakes, will be that we can then proceed without aid in the unsubsidized business.

Mr. SHERLEY. Let me ask you if that same saving in regard to large ships and devices for saving in handling freight will not inure to the benefit of competing lines as well as to American lines?

Mr. PLUMMER. I think not. That may sound like an odd statement, but the fact is that we have always paid, from the beginning of this Government, higher wages to our crews than were paid abroad, and yet the American ship men made more money, quicker voyages, and did a better business under those conditions.

Mr. SHERLEY. I don't quite see how that reaches the proposition now. As I understand you, your position now is that the building of

larger ships will bring about certain economies in carrying freight, and make it possible to carry it at a lesser price. Now I ask you if that will not be equally true with respect to your competitors.

Mr. PLUMMER. In a limited sense, but not to the same extent. For example: As I have been stating, there will be a great reduction in the cost of building our ships, which means a vast annual saving in interest, insurance, and depreciation. That is a saving in which our competitors will not share at all; in fact the building we do for ourselves and the world's traffic decreases the building by our competitors and so tends to increase his cost of production per ship.

Mr. SHERLEY. I would like some better reason.

Mr. PLUMMER. Take the clipper ships. Although the foreigner built ships in competition with ours, they could not build clipper ships that could compete with ours. The Cunard line built steamships, yet they could not equal our achievements in competition with us. I am talking now of what we did do. Have we less brains now? I suppose you heard yesterday Judge Gary's statement about steel rails, that the American steel rail is better than the foreign steel rail. Why? I say it is largely because it is produced by American mechanics of higher intelligence, and so it must have been with the clipper ships of American build—they were superior to the English ships because of that. The bounties advised by Jefferson and paid to our shipping during all the early administrations of this Government regardless of parties established our merchant marine—and American skill did the rest.

Mr. MINOR. Why is it that American yachts in international races are always better?

Mr. PLUMMER. I don't know, but they are better, just as our frigates were the best, our old-time steamships were the best, and our warships are the best. Now I would like to show where the general benefit to the country comes in. As I said, the minute that the English combine took control of the ship market, they put up rates, and the increase in freight charges on the exports of our farm products for the year 1904 amounted to over 7 millions of dollars, and the total amount of increased cost on the freight exported and imported to this country, basing it on the estimate of the actual freight figures of 1901 and 1902, amounted to something like 25 millions of dollars. That is, if there had been American ships to maintain in 1904 the rates which existed in 1901-2, there would have been a direct money saving to the people of this country of some 25 millions of dollars and that saving would have directly or indirectly affected every American citizen, independent of the fact that it would have given us a better chance at the world's market and furnished a vast amount of additional employment to American mechanics—for the building and operation of ships calls upon almost every industry for materials and supplies.

As was brought out by Captain Ellis in the matter of French subsidies, the California farmer got the benefit of that reduction in freight rates. So, in this case, it is the western farmer that gets the benefit of that cheap rate on his exports.

And here is another point. In order to get into this business, the American vessel must drive out some of the foreign vessels, because foreign vessels are doing the business now. Those vessels driven out will be the second and third class vessels, but the vessels like the

Baltic and the *Celtic* will stay in. As we are doing but about 10 per cent of our foreign commerce carrying, we have only to aid that 10 per cent in order to force down the freight rate for the whole 100 per cent, and it is this condition of things which enables us to do it at a profit.

It has been suggested by the Patrons of Husbandry that the vessels driven out of our trade will go to Argentina and will bring grain up in competition with us; but it will be the second and third class vessels that will be driven out by ours, and they will be replaced by modern first-class vessels here; and if the Argentine wants to start in under those conditions for the market I will risk the result, and so will every other man here. For the only way in which these foreign vessels can be driven out of our trade is by our making a freight rate so low that these foreigners can't afford to carry for it, and if they do carry for any of our competitors they must charge them higher rates than we are paying. So it is absolutely certain that the American farmer will secure the advantage of a lower freight rate than his competitors can get, and that is real money for him. They can't take second-class vessels on a long haul and beat first-class vessels on a short haul. But the competition of Argentina and other competitors is there just the same whether we build ships or not, and it is evident that if we leave our carrying business in the hands of our competitors we stand a poorer show than we would if we put first-class American vessels into the trade and thus compel competitors to put in the same high-class vessels in order to remain in our trade at all.

Now look at the situation in Canada. You will find that Canada is pushing her railroad through to the wheat regions, subsidizing it, putting branches everywhere, and building subsidized lines to her ports which connect with Europe. It is only a matter of a short time when the whole scheme will be in operation, and then the American farmer is right square up against the Canadian farmer in Manitoba, where they can raise wheat enough for all Europe if they want to. Now if we don't provide the cheap transportation needed, if we leave our products to be carried abroad in little old-fashioned, uneconomical tramps of five or six thousand tons, we are bound to be beaten out by Canada, and we ought to be.

Now, as to the justification of this shipping bill, I will quote from Thomas Jefferson (American State Papers, Foreign Relations, vol. 1, page 303, 1793). [Reading.]

Our navigation involves still higher consideration. As a branch of industry it is valuable, but as a resource of defense essential.

If particular nations grasp at undue shares (of our carrying trade), and more especially if they seize on the means of the United States to convert them into aliment for their own strength and withdraw them entirely from the support of those to whom they belong, defensive and protecting measures become necessary on the part of the nation whose marine resources are thus invaded, or it will be disarmed of its defense, its productions will lie at the mercy of the nation which has possessed itself exclusively of the means of carrying them, and its politics may be influenced by those who command its commerce. The carriage of our own commodities, if once established in another channel, can not be resumed in the moment we desire. * * *

The materials for maintaining our due share of navigation are ours in abundance, and as to the mode of using them we have only to adopt the principles of those who thus put us on the defensive, or others equivalent and better fitted to our circumstances. * * *

It is not to the moderation and justice of others we are to trust for fair and equal access to market with our production or for our due share in the transportation of them, but to our own means of independence and the firm will to use them.

Jefferson had been specially instructed by Congress to investigate our commercial problems. He did the work with his characteristic thoroughness, and after explaining that our ocean-carrying trade differed from other industries and must be maintained as a necessary national asset he solved the question of methods with the fearless declaration: "We have only to adopt the principles of those who have put us on the defensive."

The CHAIRMAN. You do not cite Mr. Jefferson as Democratic authority of to-day, do you?

Mr. PLUMMER. It is good authority, but too often forgotten.

Mr. BIRDSALL. You are, I understand, a lawyer as well as a seaman. Is there a legal definition for the term "deep-sea fishing?"

Mr. PLUMMER. I don't know that there is any legal definition. The term is usually applied to fishing on the Grand Banks.

Mr. BIRDSALL. What do you understand to be meant by the term "deep-sea fishing" as it is used in this bill?

Mr. PLUMMER. As I understand it, it means where they go off-shore, fishing in large vessels, as on the Great Banks; that is where they do most of it.

Mr. BIRDSALL. It gives the subsidy to deep-sea fishing, and I wanted to get an understanding of what is meant by it.

Mr. PLUMMER. I am informed it applies to vessels registered for that business.

Mr. BIRDSALL. I understand that, but what is meant by the term?

Mr. MINOR. Vessels engaged in catching cod and mackerel off-shore in deep water. They have about ten thousand tons registered engaged in that work.

Mr. SHERLEY. They don't have to be vessels engaged in fishing for this particular kind of fish on particular vessels?

Mr. PLUMMER. No; I don't so understand. But we can not use them for anything else; they have to be a particular type of vessel.

Mr. BIRDSALL. The vessel is of peculiar construction for fishing purposes?

Mr. PLUMMER. She has to be built especially for fishing.

Mr. BIRDSALL. It would not be practicable to withdraw those ships from the coastwise trade and put them in deep-sea fishing.

Mr. LITTLEFIELD. No; they are another type altogether, two different types.

Mr. BIRDSALL. That is the proposition I wanted to get at, whether it would be practicable to withdraw, for instance, these special sailing vessels engaged in the coastwise trade and use them in deep-sea fishing.

Mr. PLUMMER. No; it would not.

Mr. BIRDSALL. So the enrollment or register of the deep-sea fishing vessels covers practically the vessels available for that purpose, and it would not be possible to stuff this subsidy with vessels for the coastwise trade.

Mr. PLUMMER. No; they would have to be built for that.

Mr. LITTLEFIELD. It is not physically impossible, of course, for a coaster to go in the fishing business, but practically so.

Mr. PENDLETON. It would be physically impossible to get fish aboard a vessel of that kind, in handling their seines and getting their boats in and out.

**STATEMENT OF MR. FREDERICK W. WOOD, PRESIDENT OF THE
MARYLAND STEEL COMPANY, SPARROW'S POINT, MD.**

Mr. WOOD. After what the chairman has said regarding repetitions, I must owe the committee an apology, for all I can say is largely in the way of emphasizing what has been stated by Mr. Plummer and some previous speakers, and that is that if measures are taken which will result in substantial increases in the volume of work for the shipyards, a reduction, a great reduction, in cost of construction will very promptly follow. As a previous speaker has stated, in lines where it is possible to manufacture in the sense of repeating the operations, as in building locomotives, sewing machines, and harvesters, the higher paid mechanics of the United States produce the finished article as cheap or cheaper than the workmen of other nations.

Mr. LITTLEFIELD. It makes it possible also to utilize machinery in those operations to a very large degree, does it not?

Mr. WOOD. Yes, sir. There is no such radical difference between the construction of a ship and the construction of a bridge or any other structure, which would put it in any other category. We have seen on the Lakes, where it is possible to fill the yard year after year with ships of substantially the same type, that prices have approached the cost in the English yards. The same might be true on the Atlantic coast under the same conditions. Where we have an opportunity, as occasionally occurs, to compare the cost of an isolated structure, a unique structure, with the cost of a similar structure built abroad, the comparison is favorable.

One of the most striking illustrations of that is in the construction of the floating dry dock *Dewey*, which was built by my company. We had the opportunity to compare the labor cost in the construction of the dry dock *Dewey* with that of shipyards in England which have built the largest steel docks there, and we have come very close to their labor cost, notwithstanding we pay our men more; and the reason is simply that in that type of construction they have not had the advantage of repetition.

There is another feature which has entered largely into reducing the cost of construction on the other side, and which will prevail here if the volume of business is increased, and that is the specializing of the construction of the several parts of the ship. You are all more or less familiar with the building of bicycles. At first every bicycle manufacturer undertook to make each part of the finished machine. To-day the bicycle shop is an assembling shop, the several parts are made in great quantities by people who do nothing else, and they are purchased by the bicycle manufacturer and put together. The same is true to a great extent in the building of tramp steamers. In the cheapest tramp steamer building in England, the shipyard is simply an assembling point, a place where the frames are put together. They buy the boilers outside and the engines outside as well as all the auxiliaries and accessories, the winches, steering gear, and pumps. In this country it is impossible to do that.

Mr. LITTLEFIELD. In your particular plant you manufacture the steel as well as the vessels, do you not?

Mr. WOOD. No; we buy the plates. We manufacture the engines, the boilers, and a great many special appliances which it is impossible to purchase in this country.

Mr. LITTLEFIELD. Because there is not sufficient demand to create the plants to manufacture them?

Mr. WOOD. That is true.

Mr. GOULDEN. Do you make everything in the ship excepting the plates?

Mr. WOOD. Yes, sir. As to the advantage of building engines as they are built abroad, an engine maker making a specialty of marine engines will build from 80 to 100 engines of substantially the same type in a year, build them as the Baldwin Locomotive Works build locomotives, giving out the various parts by contract to workmen on the piecework system. No shipyard building three or four or a half dozen engines in a year can approach the cost attained in that way. That condition will prevail in shipbuilding on this side just as certain as it has in the case of the bicycle.

Mr. LITTLEFIELD. The machinery used in the construction of those engines is very expensive?

Mr. WOOD. Very.

Mr. LITTLEFIELD. If you had to build machinery for the purpose of constructing but one engine, you would have a tremendous initial cost of that engine?

Mr. WOOD. The machinery which is required for the integral parts of the engine is capable of doing ten times the work that it would find to do in one shipyard, whereas, if it can be constantly employed, the cost of the plant and the cost of operation is very much reduced.

Mr. MINOR. Mr. Wood, I would like to ask you your opinion as to what would be the result if this or similar legislation should be enacted. What are the prospects for the upbuilding of the merchant marine, and have you any assurance, or do you believe that you are going to get a sufficient amount of work to keep your yard going to the utmost capacity?

Mr. WOOD. Yes. The answer to that is that we have before us several concrete examples in inquiries for large seagoing vessels, on which we have made estimates and which are held up pending the result of this bill. If this bill passes they will be built, and if it does not pass they will not be built.

Mr. SHERLEY. Your statement, Mr. Wood, is relating to the cost of the ships built?

Mr. WOOD. Yes.

Mr. SHERLEY. You of course are aware of the testimony of most of the shipowners, which has been to the effect that if this cost was eliminated, if they had free ships, they would not operate them under the American flag because of the cost of operation. What is your idea, if you have thought of the matter, as to how long a subsidy would have to be paid in order to maintain a merchant marine, because of this other disadvantage that the shipowner is under, outside of the question of the cost of building?

Mr. WOOD. That is a question which I would prefer to have answered by people operating ships. I am speaking merely from the standpoint of the manufacturer.

Mr. SHERLEY. Your proposition, as I understand it, and condensed, is this: That if there was enough work to enable you to standardize,

the labor cost that is now the occasion of the difference in the price of building ships would be eliminated by virtue of the great saving made, and you would be able to compete with foreign shipbuilders?

Mr. WOOD. I believe that to be true.

Mr. SHERLEY. You don't undertake to say how much of a subsidy would be necessary to enable a man who bought your ship to go out on the high seas and operate it?

Mr. WOOD. I do not. I simply believe that the fact that people are willing to build large and expensive ships is evidence of their judgment, and if the measure now before this committee passes they will be able to compete with foreign vessels.

Mr. SHERLEY. I have no doubt of that.

STATEMENT OF MR. HARVEY D. GOULDER, OF CLEVELAND, OHIO, PRESIDENT OF THE MERCHANT MARINE LEAGUE OF THE UNITED STATES.

Mr. GOULDER. I represent what you may call the "plain people." Our league has a membership, practically, throughout the United States. I do not represent any trust, either of capital or labor, or any shipbuilding interest, shipowning interest, or anything of that sort. We have had an object lesson up on the lakes of what can be done by American genius, American methods, and the diffusion of benefits by water transportation. That has led a number of us to take a very deep interest in internal improvements on the Ohio River, on the Mississippi River, and in many other places.

By virtue of cheap transportation we have seen railroad rates regulated and controlled, and I have heard Mr. Alfred Noble, one of the greatest hydraulic engineers and one of the most eminent men in this country, who is now consulting engineer of the Pennsylvania Company in its tunnel work in New York, say that the saving in freight rates to the people of the Northwest, miners and farmers, by lake transportation in deepened channels and larger vessels and lower cost of transportation was greater in that single year, 1903, than all that the Government had expended on the lakes, which, I think, exceeds, from the beginning, 40 millions of dollars. And that saving for 1904 and 1905 was even greater, and is steadily increasing.

Now we have seen this: In 1881, which is as far back as the statistics go, they carried through the Soo Canal about a million and a half tons. The increase in 1905 over the previous year was nine times as much as the entire passage of cargo through that canal in 1881. In other words, it exceeded 44 millions of tons in 1905. This year it will be greater than that.

Now here is what has been our experience, and this is what leads to our interest up our way in this matter; and you will find, gentlemen, that in the Middle West there is not only justification, but a desire, for legislation which will give the opportunity to have our carrying done by American ships on the ocean. Those who fear their constituents, as I have heard it said some do, are, in my judgment—and it is based upon inquiry and talks with a great many people—very much mistaken in that fear.

We read in papers so much about Congressmen that if we were to believe what is called by a man in Chicago "the hog wash" that is

published on that subject, we should believe that from the President down to the humblest messenger in this capital, there is not an honest man in Washington, and that everything they do is done for political or some other private gain. Intelligent people do not believe that. And so I can only say that the newspapers indicate that some members are "afraid of the cars." But they ought not to be on this subject.

Now, we have seen this condition: We used on the lakes to have shallow water, small ships, and high freights. I remember the first case that I ever tried in a court of record, relating to demurrage of a vessel carrying, perhaps, 800 or 900 tons, and the freight on her cargo of ore was \$7.50 per ton from Escanaba to Buffalo. I don't think the freight in the last five years has exceeded 75 cents. I remember some ships being built for Senator Hanna's brother, H. M. Hanna. They built ships that probably carried 1,500 tons. They were chartered to carry, on a three-year charter, at \$3 a ton from Marquette to Cleveland. The freight rate to-day, and, I think, for some years back, has been 65 or 70 cents for the same service.

Speaking about wheat, I had occasion to compare two ships, one the prototype of the American lake barge. The first ship of that type was named after Joseph S. Fay, of Boston, and she could go in water to a depth of 12 feet. She carried about 1,000 tons in her cargo and could make ten or twelve trips in a season, our season being practically profitable for eight months. She could load that cargo in two or three days and unload it in three or four days in very good style, and the occasion of bringing that up was the launching of the *William A. Payne* last year, named also for a prominent Boston man. The *Payne* would carry in a single trip as much as her prototype of thirty-odd years earlier would carry in an entire season. She would load a cargo of a little over 10,000 tons, gross tons, within as many hours as it would require days for her prototype, and she could unload within as many hours as the number of days required to unload her prototype. So with our grain; the freight has gone down, so that the average freight from Duluth last year by lake was not much, if any, over a cent and a half a bushel, and from Chicago to Buffalo less.

Mr. SHERLEY. Do you know what it was per ton-mile?

Mr. GOULDER. Our figure on the Lakes is just a shade under eight-tenths of a mill per ton-mile, and we apply that to all of our freight in this way: At Sault Ste. Marie every boat has to lock through, and they keep a record of statistics there. Of course they have the opportunity—for a vessel is there perhaps half an hour—to get accurately the quantity of freight, and we take the average from that. I think perhaps two-thirds of all the freight carried on the Lakes goes to the Soo. Being without means of getting the freight the other way accurately, we assume the same thing for the rest of it. That makes, as figures have been for the past two or three years, between seven and eight tenths of a mill.

Over against that our information is that freight is carried by rail cheapest in this country on the Nickel Plate road, the New York, Chicago and St. Louis Railroad, which is more nearly than other roads, perhaps, a freight railroad. I think they carry for about 4 mills, possibly a shade under, per ton mile. You know Mr. Hill stated that

if he could build a railroad that was not required to carry passengers—a four-track road—that he could carry freight very much cheaper than the ordinary railroad. The Nickel Plate more nearly approaches that kind of a road, because it parallels the Lake Shore road. I think the management is not the same, nor the ownership, but there are very close relations with the Lake Shore road which takes the passenger business, relieving the Nickel Plate in that way. And so it comes nearer to being a freight railroad than any we know of, and it goes through a country that does not have serious grades.

Mr. GOULDEN. They have passenger trains?

Mr. GOULDER. Oh, yes; a few.

Mr. LITTLEFIELD. As between railroad and water transportation, rail is five times as expensive?

Mr. GOULDER. Yes, sir; taking the average of our lake traffic with the cheapest rail traffic. If you take the rail traffic of the United States generally, as a sailor would say, "by and large," it probably comes something near double that of the Nickel Plate, and probably would reach 8 mills per ton-mile.

Mr. LITTLEFIELD. Ten times as much; that is, your peculiar water transportation, which I suppose is the cheapest in the world?

Mr. GOULDER. I don't think our traffic on the Lakes is the cheapest in the world, but it is among the cheapest. The traffic on the rivers is probably not more expensive, and it is claimed by some river men that they carry freight somewhat cheaper than we do.

Mr. SHERLEY. From Pittsburg to New Orleans, the long haul, it is much cheaper.

Mr. GOULDER. I have heard that stated, and I have no reason to doubt it.

The CHAIRMAN. That is the coal trade largely?

Mr. GOULDER. Of course that is the bulk trade; but, Mr. Sherley, if you were to take all cargoes of freight as we do, perhaps you would not be under us. The figure that I take is for package freight and every kind of commodity, and not alone the cheapest bulk.

Mr. BIRDSALL. I don't think there can be any controversy on that proposition. The evidence is, I think, that the freight charge on a bushel of wheat from New York to Liverpool is 2 cents, while the railroad charge for 350 miles would be 12 to 15 cents. I would like to ask you this question: What is there in present conditions, or conditions that might arise if this bill went into effect, that leads you to believe there would be a reduction in existing freight rates?

Mr. GOULDER. I am not so very sure about that reduction of foreign freight rates, excepting as to an opinion I might have from hearing those who have spoken of it. I have never suggested that feature of it. They say that some of the advantage of the subsidy, if granted, would go to the shippers. I think the chief advantage of it is this, that you are very much hampered—I don't care what anybody says, for it is true—in depending upon foreign ships and foreign agencies to carry your stuff away from this country. The testimony of a man who is one of the largest lumber producers in Louisiana is that at times they have a lot of tramp steamers and get all the transportation they want anywhere, while at other times they don't have any, and that it is not infrequently the case that they have to cancel orders, because there is no reliability in their transportation service, for the

double reason that they are not alone irregular lines, but that they do not have American agencies to control those things.

The same thing is true in New York. The Brown Hoisting and Conveying Company of Cleveland had to forego important orders abroad, according to the testimony of the president of that company, amounting to \$105,000, simply because they did not have definite, regular, American agencies, even in this country for their transportation. They had to depend upon agents of foreign ships, and upon foreign ships themselves, to carry their goods. They had this experience: When they had made their arrangements for transportation and supposed that they had them all right, and shipped their goods on to New York, they found that the foreign ships upon which they depended had given preference to some foreign interest in the way of shipment, and could not take their goods at all.

In that case their goods had to lie a long time, and then they had to ship to England, unload there, and reship, the result being a lot of breakage and many parts were lost. They lost a good deal on that contract. There was great delay and they were badly handicapped. Now, there was testimony of another man to the same effect, that of Mr. Prentice. He testified that they tried to establish themselves in South America and they had to give up the effort. Mr. Prentice himself went down there, and you will remember, Captain Spight, Mr. Prentice being called before you in Cleveland, and also that Mr. Upson gave the same testimony, and also Mr. Case, of Canton.

It is my intention to deal now rather with the question of broad general benefit on the commercial side, leaving the question of national defense and of the advantage of establishing over again a great shipbuilding industry, and of having our due share of the money paid for doing our over-sea carrying, to those who have spoken or will speak.

I think the advantage of the subsidy is rather a general advantage. Of course, the question comes up, which you have heard discussed here, of the rehabilitation of the shipbuilding industry, a very important one, and the question of giving work to a great many men, which is highly important. Then, again, the question about the flag; but then I don't suppose you want to vote money to have the flag flying somewhere, although I would cast my vote, if I was in doubt, on that sentiment. But we are coming to depend more and more upon foreign trade—we have got to do it. If you stop to think of it a minute, there is 35 per cent of the population of this country now in cities.

At the beginning of our national life there was only 6 or 7 per cent. Of course, in the old countries it is a very much larger percentage. It is freely predicted that we are not going to have food stuff to export. It is freely predicted that if this prosperity of ours continues we are going to eat up our food stuff, and less and less will we export. And also less and less—I think it is evident to everybody—are we going to be exporters of raw material. The South is more and more manufacturing its cotton, and the South is more and more going to be a manufacturing region, and when you gentlemen come to the question of revising the tariff I think you will have to reckon with the South, and I think the Southern Member would do well to reckon with his people, because the indications are that the desire for protection, the desire for a protective tariff, will linger longer in the South than in the North, because the North has gone on under that protec-

tive tariff, we have made things cheap up here, and we have come to the position where reductions have been made in the tariff on certain articles, such as, for instance, steel rails, from \$28 a ton to \$7 a ton.

For a great many years the South did not have the advantages; the South did not manufacture. The South now is getting money in its pocket and is branching out, and is more and more getting in the position where it wants protection. And I think that as we manufacture we have got to come out—and this is the basis of my having anything to do with this question—as we manufacture more and ship more manufactured goods, we are dealing more and more with things that come under world's competition. Anybody who wants grain, needs grain, needs flour, will send ships for it. Anybody who wants raw cotton, raw material anywhere, will send ships to get it, if they can make any money out of the manipulation and handling of it and working it up.

Now, with the manufactured article the condition is just exactly the opposite. Neither Germany nor England nor France nor any other country is going to have its ships take our goods, which compete with their own, and give to our goods as fair an opportunity as they do to their own. If we had American ships with American officers and American crews, and those men should go abroad with our goods and some other goods, they would not give the other fellow the advantage on his goods, or an equal advantage, with ours—not if they were agents in a true and hearty sense for our country and our goods, not, I should say, if they were good citizens, and I think that is true of the citizens of every country. We have got to get agents of our own.

Mr. SHERLEY. What do you mean by "agents for goods." We have a lot of loose expressions floating around here, such as "manifest destiny" and other things, and there has been a lot of talk about steamships being the drummers for the people, and I would like to get some details about that.

Mr. GOULDER. Well, I will tell you exactly what that is, from my side of the subject. You go down to Brazil and you will find that the mass of the people don't know that there is a country called the United States. It is fashionable for them to have German, French, and English goods, and they know those countries. They do not know us because they do not come in contact with us. They don't read about us and don't care anything about us. They know the other people because the other people come there and transact business. They come in ships, they come flying their flags; the other people have their commercial agents in Brazil and we do not.

Now, when our American ships come into Rio Janeiro, if wisdom shall give to this or some other Congress legislation which will enable us to do that—if our ships go in numbers to Rio Janeiro and other ports of Brazil, taking that one country as an illustration, and our flag flies there, and there are people there talking our language, and we have commercial establishments there, then we will be known, and every man and boy, every ship, every flag, every package of goods will be a commercial agent of the United States. That is what I understand that to mean.

Mr. SHERLEY. But you again do not reach just what I am getting at. I do not mean to deny the value of the American ship, but I am trying to get at some of the exact conditions of its value, instead of

generalities. You speak of commercial agents. There can be commercial agents in countries without their being necessarily connected with ships, and there are such in a great many countries, and in South America, where there are none of our American shipping lines.

Mr. GOULDER. That is true, but to a pitiable extent, a small extent; and those agencies are small because we do not have the ships and do not have the shipping. Of course I do not know of my own personal knowledge, but that is the testimony of men who have been there. It is the testimony of men who have endeavored to establish that kind of agency down there, and it is their testimony that they can not do it without our ships; they have given it up for that reason.

Mr. SHERLEY. Isn't their complaint not in regard to the kind of shipping, but in the fact that there is not direct communication? The point I am trying to get at is this: There is constant talk that because a ship flies one flag, a ship going between certain ports, she necessarily does a great deal toward creating trade that another ship going between the same ports with a different flag would not do.

Mr. GOULDER. I can only answer that in this way: What is the constant talk of intelligent men, familiar with the subject, becomes what you might call the unanimous testimony of men who know. The testimony of men that I have heard comes from men who don't propose to build ships or operate ships themselves, necessarily; or own them; but they are the men who are seeking to extend their business abroad. There is constant talk, and it comes from those men who have investigated and know. And when I refer to that, I only reiterate what that kind of men say, and that becomes very strong testimony.

Mr. SHERLEY. But can you give us anything definite? Is it not phrase making? For many years we have heard about "manifest destiny," and other such expressions, and I thought perhaps you were in a position to give us some details of what those things meant—the things that we hear in this loose talk.

Mr. LITTLEFIELD. A concrete illustration.

Mr. SHERLEY. Yes.

Mr. GOULDER. I can not do that further than I have, nor do I believe anybody in the world can; but men have gone to those places. I selected Brazil, but of other places the same thing is true. Men have gone there, and they have undertaken to establish American agencies—commercial agencies—there; that is, commercial houses with their means of distribution. They found other nations have successfully established such agencies, but they were unable to do so. And they say that two things are true: One, the want of definite communication; and second, that the character of the ships bringing the goods counts very much. Now, I don't know that they are absolutely right, but they say so.

Mr. SHERLEY. There are four or five other things that they say to me are controlling factors. Isn't one of them the failure of the Americans to do business on long time, as is the custom in dealing with most of the Latin-American countries?

Mr. GOULDER. That is said to be one thing.

Mr. SHERLEY. Isn't another thing the fact that the American is very apt to manufacture a thing the way he thinks it ought to be—

the hats, the shoes, and the coats—according to his ideas, instead of catering to the desire of the customers?

Mr. GOULDER. There is not so much in that as is said, although there is something in that.

The CHAIRMAN. If that be the case, how does it happen that we are constantly increasing our foreign trade at a rate never dreamed of before, where there are lines of ships?

Mr. PENDLETON. I want to say from my experience, having been there, that the main advantage is that the steamship agencies there are continually working with the merchants to bring freight out, and scurrying around to give their freight lines increased traffic. That is why there are commercial agencies at these ports. They are practically drummers in the sense of going around and getting orders, which, of course, assists in and increases the transportation of the goods of their country.

Mr. GOULDER. Another thing. You may sit around a table here and theorize about business and business methods, but that does not do business. It is not done in that way. If we could have encouragement, so that men manufacturing in this country could have establishments abroad in different places and ship goods out there and have them on hand, it would be a very good thing. The United States, notwithstanding, is increasing its business abroad wonderfully, as it can not seem to help it, and there may be something of "manifest destiny" there; perhaps there is.

Mr. SHERLEY. Perhaps it is something pushing us on.

Mr. GOULDER. You have heard about this "dumping" here, a sort of a bugaboo, as I look at it, dumping things abroad cheaper than at home. It is a matter that I do not care to discuss, but if a man having a factory could manufacture the character of goods sold abroad and ship them by means of different lines of communication, and get the American idea in, it would be a mighty good thing. They tell me they can not do it, and they tell me the reason is that they haven't got the ships. They need the ships, and the only way is to get American ships. They believe that when they get the American ships they will do it. That is the reiterated testimony of men who haven't any interest under the shining sun as to who builds the ships or operates the ships or what flag they fly.

Mr. SHERLEY. Without wishing to testify, I would like to say just in this connection that I met, while traveling last summer, perhaps the biggest handler of what might be called American novelties in South America. He said that the chief trouble was that when he went to the Remington Typewriter people, we will say, that he had to pay cash for the machines, or only received short time; and that he could get from the Remington agency in London longer time and better credit on the typewriters than from the Remington people here; and that he had to go to the Remington people here and show them contracts made with subagents in order to get them to change their habits. He said that that was their chief trouble.

Mr. GOULDER. Did he tell you anything about the banking facilities in foreign countries?

Mr. SHERLEY. Yes, but he didn't say that they were dependent upon American ships.

Mr. GOULDER. But you can not take one single element, Mr. Sherley, one unit, one single item and necessarily settle this question.

Mr. SHERLEY. The purpose of my question was not to show that there is not value in the American ships, but to try to get, instead of beautiful rosy pictures, something definite. The gentlemen who testify here would have us believe that the passage of this bill will, overnight, create conditions that I do not think the facts warrant.

Mr. GOULDER. If anyone has so testified, I would not agree to that, although I do sincerely believe that the passage of this bill, or any other bill equally good—especially one better if you can devise it—would, overnight, inspire a hope in this country that would be the beginning, the germ; and I believe that in five years—not overnight, but in five years—any man, any Member of Congress, who had to do with the passing of this bill would feel very much gratified. I believe that the result would be good.

Mr. SHERLEY. Is that theory, or “around the sable talk” that you were objecting to a while ago?

Mr. GOULDER. I don't think I am guessing when I say that. I think you have plenty of object lessons; but you can not draw parallels absolutely. You have the immutable and eternal law of supply and demand, and we may expect to have it when the cycle, whatever it shall be, now closes. We may expect delay and hard times, and there are very, very many causes, probably a dozen or perhaps several dozen, very important causes which will enter into the evolution of business. I don't think it is fair at all to the shipping industry or to the shipping question, to require that we shall see before it is enacted, that the subsidy bill of itself, and by itself, is going to work out the salvation of this country.

Mr. SHERLEY. Ought you not to be able to show us that we shall get something for the money spent?

Mr. GOULDER. Yes; and I think that is very manifest.

Mr. LITTLEFIELD. From the nature of the case that can not be mathematically demonstrated.

Mr. GOULDER. It can only show this; you can show that the desirability of having a foreign marine, of having carrying trade; that the country which has a carrying trade in its own hand, under its own flag, has always been regarded very highly by civilized countries for centuries. We have found that history tells us in no uncertain way that the country which has done the most in that direction has prospered the most. There isn't any question of the prosperity of the Dutch so long as they had the carrying trade. That is a matter of history; no guesswork.

There is no question that the prosperity of Great Britain, the real prosperity, began, say, a couple of hundred years ago, when they got that carrying trade away from the Dutch. There is no question about that. We don't have all the wisdom, and I don't pretend to know much about this, but the men who are now writing history tell us of men of affairs, the fathers of this country, our Presidents all the way down; and going over to England we may take John Stuart Mill, Richard Cobden, Gladstone, and the men whom we look to as the great figures in English history. All of those men have told us of the value, and have shown and bounded out the value, and the history of their nation and its success and prosperity have shown the great value of this carrying trade.

Now, I want to say a word about your revising the tariff. If I were a Democrat—sometimes I am half a Democrat—but if I were a Demo-

crat, and I wanted to revise the tariff, I would tackle it in this way: Every great free trader of this or any other nation has said that this shipping interest is to be, and should be, and have tried to make it, an exception from the free-trade policy, and that is notably true of England. England always protected it. England never dreamed of tolerating free ships until about 1850, when they found they could build ships of the coming type, the iron ship, cheaper than they could anywhere else in the world. But there was no country, and never has been a country in the world, which gave such protection to the shipping interests by way of tax, discriminating duty, and direct bounty as has England. England has, notwithstanding the free-ship idea, and notwithstanding free-trade ideas, kept up subsidies.

Now, here is a thing that I believe you ought to think of: One or two things have occurred within five years. When Mr. Morgan got up his combination of ships, England required that a majority of the stockholders of those companies should be English, and that the possible repairs should be made in England. She also required that they be officered and chiefly manned by Englishmen, and made a contract for twenty years covering those things. Another thing is the Cunard contract. Germany probably, by my information, can not build a tramp steamer quite as cheaply as they can in England, although it is claimed by Germany that they can build ocean greyhounds, the very large, fine, fast ships, even cheaper than in England. But when England arranged to advance this large sum of money to the Cunarders, and agreed to give a subsidy, the Government put into that contract for the first time probably in fifty years a stipulation that those ships should be "built in the United Kingdom."

Mr. Sherley asked me for something specific. I can not be specific as to the future, and I do not try to be; but I do say that the carrying trade in and of itself has always been counted a great prize that every nation which had over-sea trade has, by every means, even the broadest free-trade country in the world, fostered the idea and assisted materially in the carrying of its goods to and from that country.

MR. SHERLEY. Do you know how much American capital is invested in foreign shipping?

MR. GOULDER. I do not; and it is a thing so discreditable that I do not want to know it, that here, the nation that furnishes one-third of the carrying trade of the world, is in such condition that men will say, as Mr. Hill will say, that he would not build another ship to go under the American flag; and that men, under the exigencies of business, have got to go out to other nations and operate ships under their flags, and make such contracts as Mr. Morgan made—that to me, as an American, is a thing that I don't like to think of.

MR. SHERLEY. Are these foreign ships anxious to have the American carrying trade?

MR. GOULDER. We have several lines on the Pacific, and I do not care to take up the time to give you the information in detail—the exact ships, the names, although I could do so—but the Japanese Government, or persons to be aided by that Government, and have the encouragement of it, have now an option on certain of those ships. What they are trying to do to-day, if I am correctly advised, is to get all of those ships; and they are trying to make arrangements with our transcontinental lines. And while we are sitting around this table wondering whether the United States of America could possibly afford

to pay \$4,000,000 a year as a subsidy—just one more of a hundred subsidies that we are paying—they are figuring upon making a trans-continental and a trans-Pacific trade. That is something for the Japanese.

Mr. SHERLEY. Those men who are thus figuring would be desirous of carrying in their ships going from America to various ports American goods?

Mr. GOULDER. They would, undoubtedly.

Mr. SHERLEY. They would then become, you might say, drummers for American products.

Mr. GOULDER. Yes, sir; just, as you might say, at a political convention where you have an alternate and a member of the convention; one is the principal, the other is the substitute. They will be drummers for the Japanese a great deal more than they will be for the Americans.

Mr. SHERLEY. That might be true as to cases where they would send Japanese and American goods to a port that both wanted to sell in; but would it be true in regard to trade carried from America to Japan, for instance.

Mr. GOULDER. They would never carry a full cargo from America to Japan in one of those ships.

Mr. SHERLEY. They would if they could.

Mr. GOULDER. But they could not if they would; it does not go in that way.

Mr. SHERLEY. Would not the Japanese ships, say from Yokohama to San Francisco, be just as anxious to carry American trade back as the American ship sailing from Yokohama to San Francisco would?

Mr. GOULDER. Certainly, but you must bear in mind that they would not carry a full cargo from America to Japan.

Mr. SHERLEY. That would be the reason.

Mr. GOULDER. I don't agree with your point, but the ship would go on to other Japanese ports—she would go to China.

Mr. MINOR. Would there be anything to prevent the Japanese, if they took possession of these ships, from giving rebates to Japan on freight carried; and if they gave rebates to Japan, how would that affect the American shipper?

Mr. GOULDER. Of course, I would have to theorize on that, but I don't see why they could not, inasmuch as they subsidize their ships and are going forward very rapidly. I don't see why they would not. It is in line with their policy, and it is in line with the policy of every other government but ours.

Mr. MINOR. Take a concrete case, from Yokohama to San Francisco and back again. The point I want to bring out is, would there be any specific advantage in the way of securing American trade, whether the trade was carried under the American flag or the Japanese flag, by lines plying between those two ports?

Mr. GOULDER. I should say not, if there was such a business; also I should say that such a business would not be; but that any ship of modern size would probably not carry small cargoes between those two ports, and that the Japanese shipping trade from San Francisco would try to sell things of Japanese manufacture in China.

Mr. MINOR. Now you are getting to the Japanese trade with China. I was taking a case between the two countries.

Mr. GOULDER. True, but I doubt if you would have a large shipping trade solely between those two countries.

Mr. BIRDSALL. Is not the benefit to be derived from the nation doing its own carrying trade based upon this proposition, or principle, that persons engaged in the labor of transportation are consumers solely; that they produce nothing? If the people of a nation have their own transportation, who pays the cost of the transportation? The money so paid is expended at home, isn't it?

Mr. GOULDER. Yes, very largely.

Mr. BIRDSALL. And remains there. So that while the producer is paying practically out of his pocket so much to transport his goods to the consumer the person to whom he is paying it is respending the money to purchase things which he has produced.

Mr. GOULDER. There is no question about that.

Mr. BIRDSALL. Isn't that the real basis of benefit to a nation in transporting its own products?

Mr. GOULDER. No, I don't think so.

Mr. LITTLEFIELD. Do you mean the freight rates?

Mr. GOULDER. I don't think so, Mr. Birdsall.

Mr. BIRDSALL. Suppose the work of transportation is done by the foreigner, that cost then is expended there.

Mr. GOULDER. Undoubtedly.

Mr. SHERLEY. If a man is engaged in one work he can not be engaged in another.

Mr. GOULDER. I agree that that money goes there, but I don't agree that that is the principal point at all.

The CHAIRMAN. Don't you think that the expenditure in the United States of nearly 200 million dollars that is expended now abroad is a matter of very considerable importance?

Mr. GOULDER. Yes, sir, but I think that is less important than the general importance throughout the country of having American methods, American vehicles, American delivery wagons that go abroad. I said at the outset that in the building of these ships I fancied that in five years there would be spent not less than 150 million dollars in this country, if this is a workable bill, and you pass it. I think that we could get a fair share of our carrying trade. We are getting now perhaps 10 per cent.

Some question has been made as to the 200 million dollars, but I have no doubt it exceeds that. The foreigners are taking \$500,000 a day for carrying goods to and from the United States. If we could earn that without a dollar of profit, and put it in circulation in legitimate callings, it goes without saying that that would be a very good thing for the country. It would be very much better to get that and spend it here in all the ramifications the circulation of money than to give it to the foreigner.

Mr. SHERLEY. We all admit that, providing that the getting of it does not cost some other sum that makes it no longer profitable. Don't the whole proposition come down to this: That everybody desires a merchant marine, but some of us have not been shown where, by spending this money out of the national Treasury that belongs to all the people, and giving it to a limited number of people. the expenditure will not exceed the profits that we get out of the thing created.

Mr. GOULDER. You can only say as to whether we will get something back in a material way. I will lay aside my other question of national defense and auxiliaries for the Government and all that sort of thing, which in itself has been regarded by some as of sufficient importance to justify a larger expenditure per year than this would be. But laying that aside, and speaking simply to the business proposition, I think, highly important as is this disposition of the money in this country, that the benefit to the farmer and the manufacturer, and to everybody who has goods to ship and goods to sell, either for foreign consumption of foods or domestic consumption of foods or foreign distribution of manufactures, or raw material—I think that is bigger than the question we are now talking about. But now, let us see; look at this: We are paying to foreigners 180 millions of dollars. Nearly all of that money would go into circulation in this country, and it would go to all kinds of men. It would go to dry-goods merchants; it would go to shoe stores; it would go largely to laborers. There is not a workman in the country who does not benefit by a thing of that kind.

When you talk about giving the workmen the money, you have only begun the thing. You pay the workman the money; you pay the workman good wages, and we all ought to do what we can to help that. But when the workman gets the money he does not take it and put it in his pocket or put it in the bank, or something of that kind, except a small portion of it. In the very nature of things it goes from him to somebody else, and it circulates around and around and around. Is this Congress going to stop on the question of spending \$4,000,000 a year if it can bring 100 millions of dollars into circulation in this country?

Then there is the shipbuilding that will come along and be a tremendous thing; and let me say this to you—that you have not finished when you build the ships. The American Shipbuilding Company on the Great Lakes last year was the largest shipbuilder in the world. We talk about overbuilding, and not building new ships; but they say that with the commerce of the Lakes they could get along and keep going on simply the repair work if they did not build any ships. You can see, therefore, that the repair work is a very large item; and the repair work done in this country on American ships that would be built under some bill that would “turn the trick” would vastly exceed the amount of bounty that would have to be paid.

Now let me tell you another thing:

Mr. BIRDSALL. But after all, Mr. Goulder, all this matter of shipbuilding and the men engaged in the occupation, whether in the shipyard or on the ship, is merely one factor in the transportation of the product from the producer to the consumer, is it not?

Mr. GOULDER. Yes, sir.

Mr. BIRDSALL. And it must be paid by one or the other. So that in the final analysis it seems to me we get right back to the proposition as to whether the real benefit is not having the final expense of the transportation expended in our own country or expended abroad, outside of these patriotic considerations.

Mr. GOULDER. Well, that is a large thing; but you want to remember this——

Mr. BIRDSALL. If we could sell our goods at home we would not need ships.

Mr. GOULDER. Remember this: That facility of transportation has given to this country its supremacy as the steel manufactory of the world. We have mines up there in the Lake Superior region that have been estimated to be worth, I think conservatively—the open mines, the ore which you might say is “ore in sight”—at 1,500 millions of dollars; and that is possible by reason of facility of transportation. We get our cheap transportation on the Lakes by reason, in part, of our ability to handle the freight definitely. That is, both the carrier and the shipper may arrange their business somewhat in advance, and they may and do make economies that nobody can make haphazard.

We are doing our foreign business now haphazard. We can not and do not make the arrangements ahead; we do not make them in advance. We do not practice the economies which could be practiced, and we have up there all of that, with an annual freight, a freight for a season, that is computed, I think, approximately correctly, at 46 million dollars a year. We have 50,000 or 60,000 men employed, and we have 36 million dollars invested up there in shipyards.

Mr. LITTLEFIELD. Do you mean 46 million dollars, or 46 million tons?

Mr. GOULDER. Forty-six million dollars is approximately the total freight paid for carriage of goods on the Lakes in the season. Now, we are paying foreigners 180 millions of dollars a year for carrying our goods in foreign trade, and we are getting 46 millions up there. That 46 millions of freighting employs directly in the building, repairing, operating, loading, and unloading of ships—I mean, now, the men who deal directly with the ship—between 50,000 and 60,000 men. They are getting good, fair wages, and the conditions are very satisfactory all along the line.

In addition to that, of course, you can take the various ramifications. There are the men employed, there are railroads which exist almost absolutely for the purpose of carrying the ore and the coal to and from the shipping and receiving points; and then there are the many thousands of miners. Now, you can not draw the parallel exactly as to what would happen down here; but there are billions of dollars invested—there are all the elevators, the terminals, those special railroads, the ships themselves (which are perhaps worth 100 million dollars), and there are a good many more people than there are in some of the smaller States who are directly dependent upon that business; and the freights there are 46 million dollars a year.

Mr. HINSHAW. Is there lively competition on the Lakes between the different shipping interests?

Mr. GOULDER. Yes, sir; we have the Lake Carriers' Association, and inasmuch as you have heard of that, I will say that the Lake Carriers' Association has absolutely no connection with the matter of freights. The competition is individual, and there is not any monopoly. We have more owners of ships on the Lakes to-day than we had ten years ago.

Mr. BIRDSALL. Does not the chief benefit, Mr. Goulder, arise from the fact that that is done by people here, who live here and spend the money here? If not, where do we get any benefit from it?

Mr. GOULDER. There are millions of people in this country who get the benefit of that. It is pretty hard to tell where the benefit of the Lake traffic begins and ends.

Mr. BIRDSALL. If it was being done by foreign people and they were spending their money abroad, we would not get any benefit from it, would we?

Mr. GOULDER. Certainly not.

Mr. BIRDSALL. That is the point I have been trying to get at.

The CHAIRMAN. Who gets the benefit of the money that you say you pay out during every year? Does that go to Europe or does it go to America?

Mr. GOULDER. It goes right into the United States.

The CHAIRMAN. Is that an inconsiderable item in the result of your transportation up there?

Mr. GOULDER. No, sir; it is an extremely important one. It supports tens of thousands of people directly; indirectly, you can fancy where it does go. Tens of thousands of people, though, are directly dependent upon that.

Mr. LITTLEFIELD. And I suppose that without that cheap transportation the steel manufacturing industry would not be possible?

Mr. GOULDER. It would not be possible, because you have not anywhere in the United States the like deposits. That happens to be, by the accident of nature, or the design of God, or something—

The CHAIRMAN. That is one of those monopolies that God creates.

Mr. LITTLEFIELD. It is a case of manifest destiny.

Mr. GOULDER. Yes, sir; it happens to be the place where these deposits are. (We brought these figures down to show how the thing is growing.) I can say this to you: We manufactured in this country last year a little over 22,000,000 tons of pig iron. That was more than the production of Great Britain, France, and Germany combined. The iron ore from which 82, 83, or 84 per cent of our pig iron was made came from the Lake Superior region. It was about 35,000,000 tons. Now, the condition in this country to-day is such, and has been for some time, that before our shipping season closed last year (we will say the 1st of December, a little before or a little after, according to the weather) there had been sold for next year's delivery more than 35,000,000 tons of ore from that region; and we expect this year that there will come down not less than 40,000,000 tons (I speak now of gross tonnage) from the Lake Superior region.

Mr. HINSHAW. That is all raw material?

Mr. GOULDER. Yes, sir.

Mr. HINSHAW. And that happens chiefly because the coal deposits are over here in Pennsylvania, and the iron deposits are out on Lake Superior?

Mr. GOULDER. Yes, sir; we bring it down. You see, it takes about a ton and three-quarters, or a little more, of ore of that character to make a ton of pig iron.

The CHAIRMAN. I would like to correct Mr. Hinshaw in one respect. What per cent of the ore that comes down goes to Pennsylvania as compared with what goes to Ohio?

Mr. GOULDER. Well—

Mr. HINSHAW. Ohio is still on the map, as I understand it.

The CHAIRMAN. I am sure it is when it comes to handling iron ore.

Mr. GOULDER. It is said, General, that more ore is unloaded in Ohio than in any nation of the earth outside of the United States.

The CHAIRMAN. I have no doubt of that. Some of that ore, however, goes into Pennsylvania.

Mr. GOULDER. Oh, undoubtedly, yes; they unload all the way along.

I have only this to say further to you, gentlemen: This matter has been very carefully considered by your Commission, and I have addressed a good many audiences on the subject; Mr. Marvin can give to you the action of a good many chambers of commerce, commercial organizations, and so on; and I have found that there is not any fear, except in some newspapers, about the question of subsidy or anything of that sort. Our people, for a variety of reasons—some dwelling more upon one point and some on another, some because of this general benefit, some because of the circulation of the money in this country, some because of the immediate action in restoring the ship-building industry, some because of the great benefit that must come to the workingmen from it, and some because of the great benefit (which I think is bigger than all of the others, vast as they are) of having our trade, not purely from patriotic reasons, but from economic and patriotic reasons, in ships under our own flag, in our own bottoms, by our own vehicles—I find, want such legislation as this to pass.

Mr. SHERLEY. Is there not another class that you have not enumerated that want it—the fellows to whom the subsidy goes? [Laughter.]

Mr. GOULDER. I should hope so; because if you could give a subsidy which would not be welcome to the man who got it, your subsidy would not be worth giving. You are fooling your time away if your subsidy does not benefit the immediate recipient of it; it is all waste paper in that event. But I never am afraid of giving an individual benefit. A nation can not do business for itself. The only thing that a nation can do, the only thing that a Congress can do, is to make laws under which its individual members will do well; and any law that you make that is worth having ought to benefit individuals. The only question is whether you are going to benefit enough individuals to make it of national importance and a thing for the National Congress to deal with.

But every river and harbor improvement benefits somebody, some individual. The river and harbor improvements of the Great Lakes have enhanced by many millions of dollars the value of property on Lake Superior, Lake Michigan, and Lake Erie. If they had not that effect, the money would have been wasted; and if you put out this money here and give this industry and these people a chance in this carrying trade, put out the money, it will have to benefit people. That is what you do it for. I do not care whether it benefits the ship-owner, the shipbuilder, the seaman, the shipwright—all the better; if it is a good thing to do, all the better; the more people are benefited, the better I would like to see it. I think it would benefit them all, and that is why I favor it.

Mr. SHERLEY. I simply wanted to get your enumeration complete, though. Of course that is what is back of every payment of money anywhere.

Mr. GOULDER. Since I have spoken in a somewhat discursive way, interrupted by many inquiries, I would like to round out what I have

to say with a more formal and exact statement of the case for American shipping, presented by me a few months ago before the American Bankers' Association at its annual meeting in Washington:

OUR COMMERCE, AN ADDRESS BY HARVEY D. GOULDER, PRESIDENT OF THE MERCHANT MARINE LEAGUE OF THE UNITED STATES, DELIVERED BEFORE THE AMERICAN BANKERS' ASSOCIATION, IN CONVENTION AT WASHINGTON, OCTOBER 13, 1905.

Transportation, its availability on equal terms to every one, its extension by every legitimate means, is one of the great questions. It would be idle to raise wheat or corn or cotton, or to mine iron ore and copper, raise cattle, or bring forth any of the products of the forest, the farm, or the factory without that exchange which depends primarily, almost absolutely, on transportation. Broadly speaking, commerce is transportation. Within our own country we are solving, and there are signs that as a people we are going on to solve honestly, courageously, and for abiding good those problems of transportation which grow more difficult, require more earnest attention, demand greater courage, as we advance from crude, elemental conditions. We in the Great Lakes region boast cheapest carriage in ships which bear comparison with any in the world, with credit of being the finest working fleet afloat, and this beyond fair argument has come through direct Government support of the coasting laws and money to so improve our channels that a modern freighter carries in a trip what her prototype carried in an eight months' season of navigation. But this is not all. Our ship is aided by terminal facilities to load her 10,000 or 12,000 tons in a couple of hours and unload it within five hours; or, speaking of ordinary practice, to load in a few hours and discharge within a day.

So has come an output of nearly 35 million tons of iron ore, 80 to 85 per cent in the production of the pig iron of the country this year, which will exceed that of England, France, and Germany combined; but with this has gone the opening of the great harvest fields which in thirty-five years have, with advantage of freight rates, increased their lake shipment from 12,500,000 to over 300 million bushels, with corresponding movement of coal and other products. But transportation, commerce, intercommunication, collocation of business, have made it so that there can be no partial local thrift. While we do these things on the Lakes, the South produces and manufactures from cotton; timber grows throughout the country; wheat in the Northwest is matched by corn in the Southwest; manufactures extend through the land; our interests so intermingle that even the question of tariff may hardly in any sense now be local in effect; everything bearing on the commercial life of this people is so coming to be of general consequence that a man may no longer expect to be heard with patience on the merits, wants, or demands of any section without full regard to its general effect. He is narrow indeed who can not look out over our common heritage and realize that there could be no such prosperity, none of the good things doing in any part except the people of a common country, following out their particular opportunities, are doing well.

HOME MARKET ALMOST BEYOND UNDERSTANDING.

Great results are seen on other internal waterways to which attention of the people will be directed until equal or even greater benefit may be shown. Our railroads, hauling freight at less than half the cost of any other country, are improving their service by reducing grades and, so far as possible, taking out the crookedness of the tracks, and the American people are going forward in determined spirit with President Roosevelt and the Congress to remove so far as possible any other crookedness.

We have a home market in which figures go almost beyond understanding, but it is no longer possible to stop at the confines of our own country. While in the beginning we imported manufactured goods and sent out rudimental products, more and more we are using raw materials in manufacture; 35 per cent of our population is urban, and it is an open prediction that in a few years the United States will not produce food stuffs beyond the needs of our own people, while steadily our more distinctly world competitive manufactures are increasing in the export list.

We have pacified Cuba; Secretary Taft believes that the Philippines must be a charge for a generation; we are starting to build a world canal at the isthmus; our president, with general acclaim, has been drawn into the settlement of one of the great wars of history and therein reflected honor and glory upon the nation. We have a great and growing navy, for which the nation can afford to furnish money almost without stint, but embarrassed in finding officers and men, because while ships can be built to order as money is available, sailors require time in their training. We have come to be a truly great nation, ready, able, and withal willing to take first place in the world markets, but deserving and requiring from a purely economic standpoint an efficient system of delivering our goods abroad; and yet we remain dependent on rivals in trade to carry our world competitive

goods abroad for introduction and sale, while the overwhelming testimony of business men all over the United States is that this is poor trade policy; that our trade is seriously handicapped and many producers have abandoned the foreign field because of unreliable and unsatisfactory service and discouragement of American goods.

NO SATISFACTORY SERVICE WITHOUT GOVERNMENT SUPPORT.

That satisfactory service will or can come without some form of government aid can no longer be claimed with any show of fairness. According to official figures, the carrying capacity of ships in the world between 1890 and 1904 increased from under 44 millions to 76½ million tons. In this interim, England increased from 24 to 38½ millions; Germany from 3½ to nearly 7½ millions; France from 2½ to 3 millions; Norway from 2 to 3½ millions; Japan from 150,000 to 830,000 tons. Statistics before me give tonnage in custom-house measurement for the United States, which may be a little more than doubled to get actual carrying capacity. These show that we had (custom-house measurements) in 1861 2½ millions in foreign trade, which had run down in 1890 to a million tons, and in 1904 to 888,000 tons. Despite any argument to the contrary, the other countries, aside from the facts of cheaper construction and operation through cheaper labor, have given definite aid in their foreign shipping, and it is incorrect to say that this has been confined to mere mail carriage.

On the other hand, our coasting enrolled tonnage, which has had the support of the coasting laws, has increased from 3½ millions in 1890 to 5½ millions in 1904. To this may be added that on the Great Lakes, where increase of size and draught has been made possible by government improvement of channels, the tonnage (custom-house measurement) increased from 1 million tons in 1890 to 2 million tons in 1904, and there are now building and under contract for this trade more and better ships than ever before in the United States for any trade. With the exception of 4 ships now building to replace 4 taken over from the Ward Line for Panama use there is not and for a long time has not been a single ship of any size or description building in the United States for foreign trade, where the American people pay nearly 200 million dollars annual freights against a quarter of that sum on the Great Lakes.

We are so abjectly dependent on foreign rivals in trade, that our flag has almost disappeared from the ocean. Only through apathy of our people, unmatched and not rivaled in world history, nourished and lulled into soft acquiescence by specious argument of our opponents in the shipping interest, can it be that, when the United States shall have spent a possible 500 millions for a commercial canal at the isthmus, our flag shall go through that canal only on an occasional man-of-war or millionaire's yacht?

In wars between maritime powers, an important duty of the navy has been to convoy merchant ships. If we let things go on as they are, we certainly will not have enough merchant ships to go around for this purpose.

Our league opposes this condition and any argument, thoughtless or intentional, tending to such consummation.

PAYING 180 MILLION DOLLARS IN FREIGHTS TO FOREIGNERS.

There are those who in apparent sincerity say that the carrying of a nation's goods and the building up of its merchant marine are matters of price simply, and that it is better to get the work done at the cheapest rate, taking our chances in time of need upon our ability to pay any price exacted; and these advocates point also to the fact that already American capital has been invested and the avenue of investment is open in foreign ships to be operated under a foreign flag with foreign officers and men. This may redound to the advantage of some who have the money to invest, but it is destructive of the entire theory that our Government exists for the whole people. While opponents of an American merchant marine are saying this, we see each year that we pay over to foreigners about 180 million dollars in freights, of which a good share should be circulated in this country, as are the freights paid in the internal land and marine commerce of the United States. Passing through the builder, the operator, the repairer, the furnisher of ships, and all the allied branches of industry and their employees, it should go into the commercial strength of the nation, and the ultimate argument of our opponents is that this can not or should not be done because that involves conditions and wages of American citizens, which are better than those abroad. Even in this they ignore fact and reasonable hope that with American wages and conditions of living, shown in internal transportation on land and water, we have the cheapest transportation in the world, and may, with fair encouragement and a proper start, do this again on the seas, and so lay forever the ghost of "subsidy."

Humiliating as it is to our national pride; opposing all commercial history; costly as the experience has proven of dependence on the foreign rival for introduction of our products

abroad, there might still remain some shred of argument based on cheapness at expense of progress in trade, if the question could with semblance of propriety be permitted to revolve around the turn upon this single element in a complex problem.

This country has not only to admit that following consistently a system of protection in trade, it has neglected the shipping industry, which should have prospered with the rest, and has been prevented by discrimination, however induced; but that this has been done against the example of free trade nations who uniformly have selected the shipping interests for reasons of far-reaching national importance, as the one single interest to be maintained and encouraged at any proper cost by that country which can have a merchant marine and would keep its place on the seas.

Adam Smith, in his *Wealth of Nations*, said:

"There seems to be, however, two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry. The first, is, when some particular industry is necessary for the defense of the country. The defense of Great Britain, for example, depends very much upon the number of its sailors and shipping. The act of navigation, therefore, very properly endeavors to give the sailors and shipping of Great Britain the monopoly of the trade of their own country, in some cases by absolute prohibitions, and in others by heavy burdens upon the shipping of foreign countries."

John Stuart Mill, another world-renowned writer on free trade and economics, says:

WE NEED A NURSERY OF SEAMEN.

"The navigation laws were grounded, in theory and profession, on the necessity of keeping up a 'nursery of seamen' for the navy. On this last subject, I at once admit that the object is worth the sacrifice; and that a country exposed to invasion by sea, if it can not otherwise have sufficient ships and sailors of its own, to secure the means of manning on an emergency an adequate fleet, is quite right in obtaining those means, even at an economical sacrifice in point of cheapness of transport. When the English navigation laws were enacted, the Dutch, from their maritime skill and their low rate of profit at home, were able to carry for other nations, England included, at cheaper rates than those nations could carry for themselves; which placed all other countries at a great comparative disadvantage in obtaining experienced seamen for their ships of war. The navigation laws, by which this deficiency was remedied, and at the same time a blow struck against the maritime power of a nation with which England was then frequently engaged in hostilities, were probably, though economically disadvantageous, politically expedient."

In 1890 there was what the *North American Review* described as a duel between Mr. Gladstone and Mr. Blaine, one for free trade, the other for protection. On page 49 of the January number of that magazine Mr. Blaine uses this language, and I may be pardoned for quoting at some length:

"Mr. Gladstone, however, commits himself to the principle that 'all protection is morally bad.' If this has been his belief ever since he became an advocate of free trade, his conscience must have received many and severe wounds, as session after session, while chancellor of the exchequer he carried through Parliament a bounty—may I not say a direct protection?—of £180,000 sterling to a line of steamers running between England and the United States—a protection that began six years before free trade was proclaimed in England manufactures and continued nearly twenty years after. In the whole period of twenty-five years an aggregate of many millions of dollars was paid out to protect the English line against all competition.

BRITAIN DISREGARDED A CHEAPER RATE.

"It may be argued that this sum was paid for carrying the Anglo-American mails, but that argument will not avail a free trader, because steamers of other nationalities stood ready to carry the mails at a far cheaper rate. Nay, a few years ago, possibly when Mr. Gladstone was premier of England, public bids were asked to carry the Anglo-Indian mails. A French line offered a lower amount than any English line, but the English Government disregarded the French bid and gave the contract to the Peninsular and Oriental Line, owned by a well-known English company. Still later the German Lloyd company contracted to carry the Anglo-American mails cheaper than any English line offered, and the German company actually began to perform the duty, but Englishmen did not want that kind of free trade and they broke the contract with the German line and again gave protection to the English ships. Does not this justify the opinion that the English policy of free trade is urged where England can hold the fields against rivals, and that when competition leaves her behind she repudiates free trade and substitutes the most pronounced form of protection?"

I have it from the management of the North American Review that Mr. Gladstone never in any manner answered the challenge, but the English nation has responded in the contract provisions for the new Cunard steamers. When metal ship building came in vogue, and the United Kingdom could produce more cheaply than elsewhere, the free ship policy was adopted in that country. Germany has been going forward in ship building and operation in a wonderful degree, and it has come to be a question with the balance somewhat favoring Germany whether it is cheaper to build the so-called ocean greyhound in Germany or in England. When the British Government, therefore, two years ago entered into a contract with the Cunard Line to furnish 13 millions of dollars to build two ships and give a subsidy of over a million dollars a year for their operation, the British Government, for the first time in fifty years, stipulated that these ships should be built in the United Kingdom.

An English writer, member of parliament, Mr. J. Henniker Heaton, speaking of the British practice, said:

THE SAGACIOUS POLICY OF BRITAIN.

"For many years the American mails (as well as American goods) were carried to Europe almost exclusively in British vessels. Early in the century the British Government adopted the sagacious policy of subsidizing the shipping companies which ran vessels to the colonies and the foreign countries. Infant settlements like those at Port Jackson and Sydney or the Cape could not, of course, supply trade enough to make the voyages remunerative, and now that such settlements have shot up into rich and powerful colonies the subsidies are continued on a more lavish scale on two conditions: First, that the subsidized vessels were constructed so as to be easily converted into cruisers in case of war; second, that they shall carry the mails. This policy of state aid was so brilliantly successful in developing trade and maintaining the supremacy of the British mercantile marine that it was adopted in turn by all the great powers, with the single exception, until quite recently, of the United States. As American ships were not subsidized their vessels could not compete with the Cunard and other companies; the art of shipbuilding languished and the American carrying trade was transferred to foreign bottoms. In 1891 only 13 per cent of the exports from the United States were carried in American ships, which at one time had engrossed 90 per cent.

"As a consequence of refusing 5 millions a year in subsidies during thirty years to native shipowners, or 150 million dollars, the United States had to pay in the same period no less than 3,000 million dollars for freights, while their mercantile marine dwindled into insignificance. The fact that the country bore this heavy drain upon its earnings so long without feeling it—as if it had been a flea-bite—affords the highest possible proof of its amazing vitality and vigor. At the same time one is puzzled to understand why the proverbial shrewdness of the American, unfailingly exhibited in his private affairs, was missing for more than a generation in this important section of national business."

Captain Wilmot, of the royal navy, writing in 1892, said:

"When we passed from the old irregular method of manning the fleet, and adopted the continuous-service system (under which seamen enter for ten years, with the option of continuing at its expiration for a further similar period, followed by a pension), coupled with the entry and training of boys, a complete revolution was effected in this portion of the naval service. The delays of manning in peace time disappeared, and all uncertainty in the matter, when hostilities are apprehended, is removed. For a reserve in time of war we rely on 20,000 merchant seamen (now 30,000), who, though they have never served on board a man-of-war, are annually drilled to guns and small arms at various depots round the coast. How far the comparatively small number of highly trained seamen we maintain, together with this somewhat uncertain reserve, would supply the requirements of a protracted maritime war it is difficult to say. The waste, from many causes, would be very great if the struggle were severe, but seeing the number of men this country possesses who are, or have been, connected in some way with the sea, and who would be of great assistance when acting with trained seamen, I do not think that in this respect our resources will prove inadequate."

Without stopping to give the expression of other American Presidents and publicists, may I not reproduce the language of an official report of Thomas Jefferson over one hundred years ago, which has lost none of its force:

"Our navigation involves still higher considerations. As a branch of industry it is valuable, but as a resource of defense essential.

AS A RESOURCE OF DEFENSE ESSENTIAL.

"Its value as a branch of industry is enhanced by the attendance of so many other branches on it. In times of general peace it multiplies competitors for employment in transportation, and so keeps that at its proper level; and in times of war—that is to say, when

those nations who may be our principal carriers shall be at war with each other—if we have not within ourselves the means of transportation our produce must be exported in belligerent vessels, at the increased expense of war freight and insurance, and the articles which will not bear that must perish on our hands.

"But it is as a resource of defense that our navigation will admit neither neglect nor forbearance. The position and circumstances of the United States leave them nothing to fear on their land board and nothing to desire beyond their present rights. But on their sea-board, they are open to injury, and they have there, too, a commerce which must be protected. This can only be done by possessing a respectable body of citizen seamen and of artisans and establishment in readiness for shipbuilding."

A recent consular report gives account of changes in British and German tonnage in the past twenty years, and this, succinctly, is the record of British companies: One increased from 174,000 to 446,000 gross registered tonnage; another from 58,000 to 383,000; another from 175,000 to 326,000; another increased sevenfold, to 312,000 tons; another from 96,000 to 298,000; another from 53,000 to 261,000; another from 51,000 to 254,000; another from 68,000 to 203,000. For the Germans, one line increased from 60,000 to 719,000, and another from 103,000 to 573,000.

From the general experience, it may be taken that a foreign merchant marine is an essential element in rounding out the affairs of a nation which has seacoast and possibilities of foreign trade. We have a greater navigable seacoast than any other country in the world, and the greatest foreign trade of any country, and a growing necessity for introducing our world-competitive products. We have the humiliating spectacle, that while in foreign bottoms we import more products from South America than they sell elsewhere, we have no adequate means of shipping to them the things which we have and should sell in exchange. To the best customer in South America we have to send by way of Europe, and when any of us visit South America convenience requires that we go to Europe and from there to our near neighbor. Let us leave those gentlemen who are either content with this condition of things or think they will remedy themselves in some undefined way.

Now, as to the remedy: It must be understood that in our league there is absolutely no interest in favor of any particular remedy; that our purpose is the finding of a remedy and the best one. So, therefore, we are ready and willing and desire to approach this question of remedy without predilection in favor of particular means, without fear of words or definitions. Many people in this great country shiver and would have the nation hesitate and stutter over the word "subsidy." We have gone through a lot of definitions since the Constitution was adopted, and it must, out of the reason of the thing, come to be a mere weakness for any man to say or write that he is opposed to subsidy per se. Among the remedies that have been suggested, and perhaps including all, are free materials for shipbuilding, free ships, discriminating duties, and direct aid.

FREE SHIPS DO NOT SOLVE THE PROBLEM.

There are afloat in the country to-day those who say that our problem would be solved if the materials for building ships for foreign trade were admitted free, and point to ship plate being sold for delivery abroad cheaper than at home, and who invoke the aid of tariff reform without appreciating that for some fifteen years all material for building, furnishing, and repairing any ship for the trade has been entirely free of any duty. This plan has so been thoroughly tried and is exploded. Free ships, the right of going abroad and purchasing a ship wherever it might be built cheapest does not seem to promise anything. Until foreign countries shall raise their wages and conditions of living, or we shall, by some general process, reduce ours, it must be that wages and cost of operation of American ships, regardless of the percentage of Americans to be employed, shall be greater. If we can purchase ships abroad cheaper than in this country, it is only so far as the labor in their construction costs less abroad. Here let it be said that by reason of the stifling of coast shipbuilding in this country, shipyards are not able to standardize and so put into vogue those practices which in other lines of work have enabled us in this country to pay higher wages with better conditions and yet produce more cheaply, as our railroads under our conditions carry freight more cheaply than abroad.

There seems no warrant in experience, analogy, or acceptable argument for asserting that free ships would solve the problem. But, by reason of the assertion, the Congressional commission made special inquiry upon this subject, and the universal testimony of men interested directly in shipping and the operation of ships was against and overwhelmingly against the proposition that this could afford relief. Discriminating duties in the beginning of this country doubtless aided very much at a time when we were an importing nation, exporting only food stuffs and raw materials which other countries required. Now we have gotten into a position and condition where practically half of all that comes into this country is on the free list. There is no export duty. And when we come to consider South and Central America, our nearest neighbors, barely 10 per cent of what comes to us now in foreign ships

pays any duty. To you, who, in dealing with general questions of business, appreciate the absolute necessity of correct detail, I put the question: How would the plan of discriminating duties work out? In the first place, consider that anything shipped out of this country does not have any duty about it and the plan could not be applied there.

In the next place, consider that two ships might load at a foreign port, one largely with dutiable goods, the other largely with goods free of duty; how would it be worked out in such a case? Not to detain you too far with detail, take the further case that in respect of goods which are dutiable one ship hauls 15,000 miles and another ship 1,500 miles; how is this to be worked out? I lay aside the political question of disturbing 32 working commercial treaties, and ask you gentlemen when you go home to take up the question of discriminating duties as a purely business problem, and see if, with no duties on exports, with 90 per cent of our goods coming in free from South and Central America, half our goods from all over the world coming in free, with the duties laid precisely the same, regardless of the distance traveled by the ship, how a system of discriminating duties could be devised which would be workable.

THE MERCHANT MARINE COMMISSION BILL.

Our league has been in existence nearly a year. It was not formed to support the action of the Congressional commission. In its first statement, made in advance of any report, we expressly reserved the right to criticize anything which might be put forward by that commission. But we find ourselves really in the condition of mind of the majority of the commission, with perhaps a little more freedom of expression. That commission went all about the United States, invited expression from every one willing to come before them, sifted it all, and reached the conclusion unanimously that we need a merchant marine, possibly less for the purpose of introducing trade abroad, important as that is, than for general safety of the country in having a fleet of our own to carry our goods independent of foreign complications, reliable for the continuance of our trade under suitable naval protection in case we might be involved in war, and furnishing those adjuncts of the Navy which every nation in the history of the world has found to justify all the other expense of a navy—that is to say, auxiliary ships and a sufficient resource for seamen when the test should come.

Time does not permit my going into the details of the bill proposed by the commission. Your Congressmen can furnish you with a copy or you can obtain it otherwise, readily. Suffice it to say that the commission, apparently regardless of the hobgoblin of subsidy, have provided for only a few lines, and these only to South America and to the Orient. But they have heeded the cry which went over this country when other projects were before Congress, that what we most need is the delivery-wagon style of ship and provided a general subsidy, and I use the word "subsidy" because it is the familiar term and we should not fear definition, but hold to substance.

COST OF A SINGLE BATTLE SHIP WOULD PROVE THE EXPERIMENT.

The question of expense is of greatest importance, but most important as related to probable results. This country is now paying for rural free delivery nearly 26 millions a year and for city free delivery 21 millions a year. This is for convenience of the people. A fraction of that sum would solve the problem of our foreign marine and supply a conceded necessity. Putting it another way, the price of a single battle ship for the Navy would more than meet the expense of a thorough experiment in rehabilitating our foreign merchant marine, compared with the expenses which we are approving in connection with the Philippines, for our navy and army establishments, and in the building of the world canal, the cost of a thorough test might be described as a "drop in the bucket."

I wish I might detain you with a discussion of every feature of the bill. I would be glad if some one could present a better bill, but the sole point has been to lay this matter before this national body in the hope that you will go home thinking of the subject, believing that it is one of the most important before the American people, and that you, through your large influence upon affairs in your homes, will be willing to aid in bringing the subject forward to help speed that day when our American trade shall go abroad under our flag, peaceful emblem of excellence, of honesty, of fair dealing in trade, and of manful considerate power when needed, and all in the spirit of the toast—

The union of lakes, rivers, and lands,
The union of States none can sever,
The union of hearts, the union of hands
And the flag of our Union forever.

At this convention, which was addressed by Secretary Shaw and Mr. Goulder, the American Bankers' Association adopted resolutions

declaring that American ships were essential for the proper expansion of American trade, and urging Congress promptly to enact the shipping subsidy bill of the Merchant Marine Commission.

ADDRESS OF REPRESENTATIVE GOULDEN BEFORE THE COMMITTEE ON MERCHANT MARINE AND FISHERIES AT ITS PUBLIC HEARINGS ON THE SUBJECT OF SHIP SUBSIDY.

I consider it my duty in this place to urge objections to the proposed ship subsidy bill, and to do this in spite of specious arguments made during this hearing.

My opposition to any form of ship subsidies is based on the Golden Rule, on the teachings of the Sermon on the Mount, as well as on the modern enunciation of this cardinal truth of "Equal rights to all, special privileges to none," in Jefferson's words, so tersely restated by our great President, who proclaims himself in favor of "A square deal to every man; no more, no less."

How can "A square deal" be reconciled to a bounty wrung from the public; paid for by every man, woman, and child in the country? A bounty is a tax levied on the public to accomplish some uneconomic need. In its ultimate analysis it is another attempt to raise ourselves by our bootstraps if successful, and in the meantime to tax the whole community for the benefit of a few. We start out by paying a few millions a year to help the shipping business by taking "the money from the Treasury not otherwise provided for," yet we know that this is wrong from the people by indirect taxation of the most severe and relentless kind. Every time some poor woman in my district buys cloth for a dress, or a man buys a hat or smokes a pipe, some portion of their earnings have been diverted by devious means of indirect taxation to swell the funds of the public not needed for the expenses of the Government. This has been going on at so monstrous a rate that formerly we had a surplus in which every trust and every protected industry tried to stick its nose and partake of the Government pap.

How shallow and maladroit, how insincere is its belated appeal to moral ideas in this ship bounty business when it wants to spend other people's money on the pretext, mind you, for it is only a pretext, that our flag should fly at the main truck of our sea-borne commerce. In a few moments I shall take up the argument of the contradiction involved in paying other people's money to encourage ship building and show how incompatible it is with the claim for a ship subsidy to further ocean carrying. I shall read a clever exposition of the fundamentals from Doctor Meeker's history of shipping subsidies, an acknowledged authority on the subject, in his testimony before the Industrial Commission in 1899:

Experience has shown that if a new country possesses superior advantages capital from outside is ever likely to be attracted there in order to take advantage of the opportunities offered rather than to attempt the destruction of newly founded industries by destructive competition from a distance. These considerations make it advisable to avoid granting bounties, even were it possible to show that, if properly administered, a net gain would result.

The critical objections of the free trader, though having an economic bearing, are primarily political and ethical in character. They come up like the lean kine in Pharaoh's dream and devour the fat, sleek, prosperity-promising kine of the protectionist. Nevertheless, there remains the theoretical possibility that state aid to young industries may, under certain conditions and with right direction, accelerate the increase in national wealth. Given these economic conditions, which are said to exist very often, and the only assumption necessary is a government by men of knowledge, honesty, and power.

But if the political and ethical evils of protection were not sufficient to condemn it, there are good reasons for thinking that the shipbuilding industry of the United States does not

conform to the conditions of an infant industry. For several years steel plates, beams, and angles have been produced in the United States more cheaply than anywhere else, so that a bounty is scarcely needed to develop our infant steel industry. It does not necessarily follow from this that ships can be built in the United States more cheaply than in England or Germany. According to the commissioner of navigation, the steel and other material going into a steel steamship constitute only about one-fourth of the entire cost. The costs of assembling and finishing are then by far the more important elements in the final cost of a ship.

We must not be too hasty in accepting these statements, however, for they come from an ardent devotee of the subsidy policy. The present commissioner was formerly very much opposed to subsidies and furnished statistics in 1894 proving conclusively that steel ships could be built as cheaply in the United States as in England. Since 1898 he has been engaged in figuring out the exact amount of subsidy necessary to overcome the higher costs of construction and navigation under the American flag. The estimates of these differences in costs have diminished in amount so enormously and so capriciously since the original estimate of 1898 that their accuracy is very doubtful. The first estimate must have been much too high; and what is to insure us that the present estimates are not equally incorrect?

The comparisons of wages in different countries made by the commissioner are worthless, and the conclusions drawn from them are silly. No idea is given by these comparative tables regarding the varying conditions of employment, methods of payment, or efficiency of the workmen. We are gravely informed that day wages of workmen in shipbuilding are 50 to 100 per cent higher in America than in England, and from 40 to 60 per cent higher in England than in Germany. If these figures really proved what they are supposed to prove (i. e., higher labor cost in the United States), they would show the utter impossibility of England building ships. If there was any such enormous difference in real wages for laborers of like efficiency, to attempt the equalizing of the differences by a bounty would be absurd. The fact that steel and iron construction of other kinds is done in America more cheaply as a rule than in other countries shows that the efficiency of the American workman in the steel industry more than makes up the difference in his wages. The higher cost of ship construction in this country is not due to the higher cost of labor per unit of product, except in those cases where employment is unsteady and the labor force must be maintained on less than full time work.

It is thought by many that these higher costs do not really exist. Our shipbuilders have constructed several war vessels at prices below the bids made by the strongest English firms, and it is generally recognized that in the building of first-class yachts and torpedo boats American builders lead the world. This, however, does not prove our ability to construct merchant steamers as cheaply as the English.

The commissioner of navigation in 1900 estimated the difference in favor of the English builder at 28 per cent. The estimates vary a good deal, but it is admitted except by the most partisan antisubsidy agitators that the English do build ships for the ocean transport more cheaply than we can. It would be strange if this were not the case. The American capitalist requires a higher rate of interest on his capital than that prevailing in England. This is of course due to the fact that capital is more productive in America. But in shipbuilding, conditions of the productivity of capital are reversed. Where an American shipyard turns out one steel vessel an English yard turns out a dozen, many of them on the same model. The English builder is able to use many identical parts, while the American builder is fortunate if he can use duplicate parts. It costs no more to superintend the building of a dozen ships than to superintend the building of one. Expensive machinery and highly paid skilled labor are constantly employed in English yards, while until recently the American yards experienced long periods of idleness, during which interest on capital, depreciation of plant, and wages of the necessary labor force consumed profits. The economies in the cost of building and of superintendence, due to organization of the industry on a large scale, give England its great advantage over the United States and all other rivals. In the building of single war vessels these economies vanish, for few duplicate parts can be used, the materials are of a special character, and the superintendence more costly. Some American yards have made a specialty of constructing the finest yachts, and therefore lead the world in this particular line of construction.

It seems reasonably certain that with organization for large production the American yards could build ships quite as cheaply as the English yards. A great extension of the demand for steamships is not probable. If we are to do shipbuilding on a grand scale in the United States, it must be at the expense of foreign yards. This does not necessarily mean that the English or German yards must go out of business. It simply means that there will be a readjustment of capital and labor such that the United States will have a larger share, relatively, in the shipbuilding industry of the world. This readjustment is certain to take place without any legislative interference. The countries that can build the cheapest will eventually do the greater part of the world's shipbuilding, even though bounties given by other countries disturb the normal adjustment. Bounties, be they ever so high, can not pre-

vent an approximate distribution of capital and labor according to natural resources, for a bounty does not act merely as an economy in costs of production. It always has a tendency to render the industry supported weaker and less progressive, so that natural advantages finally determine the localization of industry.

If the readjustment of labor and capital employed in shipbuilding is allowed to go on naturally, there will be no great disturbance of the industry in England or Germany. The American yards will not at once build more ships than English yards, but they will grow more rapidly than the yards in other countries. The economic question before the American people to-day is, "Will it pay to hasten this process of readjustment?" It is probable that capital will flow more rapidly into the American shipbuilding industry if bounties are granted by the United States Congress.

English shipbuilders and capitalists have intimated their intention to take advantage of any alluring bounty which may be granted by this country. As payments to hasten a more productive employment of capital and labor, bounties might perhaps be economically beneficial. But no one can be sure of this, and the danger that the payments begun as a temporary policy may become permanent is great. There is also the danger that a portion at least of the bounty may be absorbed by a shipbuilding monopoly, without in the least benefiting shippers. In this case it can not be pleaded that capitalists are either ignorant of their own interests or too conservative. It is more than likely that the shipbuilders know more about their business than the Senators and Members of Congress. Steel shipbuilding is by no means so new or so undeveloped in the United States as is assumed. We rank next to Great Britain both in tonnage owned and tonnage built when domestic shipping is included. It has been demonstrated that steel steamers can be built on the Great Lakes more cheaply than on the Clyde. The industry is thoroughly organized on a large scale in the Lake region. There is no reasonable doubt but that the difficulties in the way of building ships on our Atlantic coast as cheaply as in Scotland will be overcome very soon if they have not been neutralized already.

Navigation.—We have thus far spoken of bounties to American shipbuilding. The bounties actually proposed have been for the navigation of ships. This appears at first to be something altogether different. The interests of owners and shipbuilders are directly opposed. The former want cheap ships; the latter want to sell ships as dearly as possible. In reality, all the ship subsidy measures recently proposed have been in effect bounties to our shipbuilding industry, because our owners would be compelled to buy their ships from American builders.

A portion of the bounty has been reckoned as an equalization of the labor costs of running a ship under the American flag with the like costs of running under a foreign flag. Comparisons of the wage bills of an American steamer and of a Norwegian steamer of the same size show a great balance in favor of the latter, according to the reports of the commissioner of navigation. Besides, the food provided by an American vessel must be better and more abundant than that provided by the ships of other countries. With the exception of steamers under mail contracts, American vessels can make up their crews regardless of nationality to-day. It is incredible, then, that an American shipmaster must pay so much more than a foreign master in wages. In the days of the American fast sailing ships the higher wages and better food of the American sailors were more than counterbalanced by their greater efficiency and the superiority of the American ships, which could be managed by one-half the number of hands required on the clumsy square-rigged ships. American steamers to-day cost more and are no better than those of other countries, and American citizens are no better stokers and oilers than are Italians, Norwegians, and Portuguese, before they become naturalized. If American ships are really to compete in sea transportation to-day, we must build better steamers more cheaply than any one else, and, if any unfavorable difference in costs of running American ships exists, it must be overcome either by paying the same scale of wages paid by our rivals, or by increasing the efficiency of labor on our ships. If bounties are to be paid so that American shipowners can employ American labor to run their ships at greater cost relatively to the gross earnings of the vessels, they must be defended on other than economic grounds.

I do not believe that by the popular mandate this body has acquired, collectively, superior wisdom than its individual members would have outside this chamber. Why, then, should we, by spending other people's money, say to the capitalist shipbuilding is a good thing, and we'll guarantee you against losses. If shipbuilding on a large scale were a paying proposition, as I think it would be if we had no steel trust, if our coal and iron were not in the hands of our so-called common carriers; if the railroads had not parceled out the country and made impossible domestic free trade, which Chief Justice Marshall dreamed

of, for this American Empire, then this would become a reality. But domestic and foreign capital, which built our railroads and their betterments, will not invest in shipbuilding under the chaotic conditions of commercial lawlessness brought about by your tariff system of protection. It refuses to have anything to do with shipbuilding on a large scale. Capital will not invest in the attempt to grow citrus fruits, oranges, and lemons in Minnesota, New York, or Vermont, and for the same reason it will not recklessly embark in shipbuilding, which would at first, at least, not give it an adequate return.

At this point our collective wisdom is invoked to take from the necessities of the people, from the breakfast table, from their clothes, from the package of tobacco, and bread and butter of the people, and guarantee against loss a group of gentlemen who shall build ships. Would not every argument against ship subsidies apply to every other scheme of graft, to every scheme of dubious commercial stability? Does not the same argument apply in favor of every oil well, gold and silver mine, and every industrial and fraternal insurance without a proper reserve that finds it hard to compete with solvent concerns—solvent because by good management, careful selection, they have acquired wealth for their policy holders.

So much for the general views. If the majority insists on disguising its diversion of public moneys by the specious pretext that we should build our own ships, let us at least understand what that means. In other words, you are willing to spend public moneys in private shipyards, not to get ships, but to get work done. If you wish to spend public money on public work, it were a thousand times more beneficial to the entire country to build good roads, and begin right here, within the sight of the dome of this Capitol, and all through the backward sections of this country. That this is not done is because our farmers have no lobbies, do not stand together, and can not deliver the vote of their workmen.

If the object were to own American ships, if it were really the intention of the advocates of this bounty business to carry our commerce in American-owned ships, you would not have this insistent, recurrent, and organized demand of a well-regulated and all-pervasive lobby. But the claim of using the ships, of showing our flag in the harbors of the world, is but a pretext. If we want to own ships under our own flag, let us permit those American citizens who have purchased foreign ships to register them here, under such regulations as to ownership as Congress may enact. This is what is done in other commercial business interests. But that the shipbuilders don't want; they want us to build ships, not to use them. A ship must, by its very nature, bring return freights, and in this the comparison between an American-built house and an American-built ship falls to the ground. An edifice becomes part of our national domain, fixed and permanent, built by Americans and for Americans, whereas a ship must depend for its livelihood and earning power on its return freights. A ship, in other words, by its nature and being, is of an international use. Unless, therefore, you are protection mad you can see that the argument for a foreign-built ship is a totally different thing from a foreign-built house, engine, or dynamo, which savor of the reality.

The interests of the shipowner are to purchase ships as cheaply as possible. The advocates of this bill know this quite as well as we do,

and this bill does nothing to further that end. The interests of the shipbuilder are diametrically opposed to the shipowner, and normally these conflicting interests would be antagonizing one another were it not that the chance of getting enough graft from the public treasury by this proposed bill had unified conflicting interests. The labor unions and the farmers' organizations, through the American Federation of Labor and the National Grange, Patrons of Husbandry, have spoken against this proposition.

If you are so truly anxious to put the flag on American ships, why don't you permit the shipping owned by American capital to come under our registry? The freight that these ships now under foreign registry earn comes into our pockets anyhow, and to a certain extent this disposes of the artificial horror and counterfeited frenzy which every well-educated advocate of shipping bounties utters when on the subject of our paying millions a year to foreigners for carrying our freight. The answer to this argument is terse, and, if unparliamentary, must be pardoned because of its point, "The boy lied."

Quoting again from Doctor Meeker, who says:

Why should we remove capital and labor from other pursuits and take over the carrying trade? In order to keep this alleged 110 or 300 million dollars at home? But why should we work to keep this particular sum at home rather than the amount we pay for English worsteds or French laces? To name the enormous amounts we might save by doing our own transportation does not prove our economic degradation. It must be shown how many millions we must pay out in order to save these 300 million dollars per annum before we can estimate the wisdom of engaging in the international freighting business.

Let us suppose that we pay foreign shipowners 150 million dollars per annum for carrying our freights. If we decide to dispense with the services of foreign ships and do our own freighting with American-built ships, owned by American capital and manned by American citizens as it is proposed, it means that we must divert capital from other lines of industry to the amount of at least a billion and a half of dollars and invest it in shipping. If this capital invested in other enterprises would earn 180 million dollars per annum, plainly the change to the shipping industry would result in a direct and immediate annual loss of 30 million dollars in the total social product, owing to the decreased productivity of capital and labor. This direct loss does not by any means measure the whole economic loss of such a change in industry. Capital and labor will not engage in the carrying trade unless they receive remuneration equal to what they receive in other industries in our country. They must offer services at least as cheaply as foreign rivals. Under the assumed conditions, the only possible way to save the amount paid to foreigners in freights is by means of a bounty of 30 million dollars per annum. This loss would be augmented by the cost of collecting the tax and administering the bounty, besides the losses due to the disturbance of other industries by the tax and the rapid and wasteful change to another industry. Of course the change could not take place immediately; but if the relative productivity of capital and labor in the United States and in foreign countries remained unchanged during the transition, the reasoning would still hold good.

It may be objected that the conditions imposed are contrary to fact. It is true that the figures are not "statistical," but I have rather underrated than overrated the difference in productivity of capital and labor engaged in international shipping compared with their productivity in American industries, up to very recent times at least.

* * * * *

In any case there is no sense whatever in the hysterical demand that we must own the ships that carry our commerce in order to keep the amount we pay in freights within our own national boundaries. The mystery and romance of the sea seem to have a most confusing effect upon the rational faculties of some statesmen. They associate the money earned by a steamship with the fabulous wealth of the Spanish main. There is nothing extraordinarily attractive or remunerative about the sea-freighting business. It would be very uneconomical to lure or drive capital and labor into this business if they are earning as much or more in other lines. If Mr. Blaine had been advised to cut down his household expenses by discharging his janitor and employing his own energies in the lucrative industries of carrying coal, cleaning the furnace, sweeping the cellar, etc., thus saving the relatively large sum of \$400 in gold every year, and at the same time building up a flourishing home industry, he would have been amazed—perhaps displeased. Yet such a suggestion is

scarcely more ridiculous than the eloquent appeal for a merchant marine made by Mr. Blaine in 1881.

* * * * *

It has been stated above that the extension of our commerce by means of a bounty is possible only in case the bounty acts so as to reduce freight rates. The advocates of ship subsidies do not usually mention the possibility of a diminution of freight rates. They rely upon the flag to extend commerce. "Trade follows the flag" is at once watchword and argument with them. Statistical support for this assertion is furnished in copious abundance, but, like all the statistics thus far examined, the figures are meaningless. It is shown, for instance, that the commerce of Germany with the Far East has increased since the North German Lloyd contract with the Government was made. It is complacently assumed that the increase is due to the subvention and that the proposed subsidies will act in the same way. The fact that German commerce increased just as rapidly before as after the granting of the subvention is not mentioned.

The subsidy agitators see in every foreign shipowner or master a deadly enemy who is seeking to promote the commerce of his own native land at the expense of every other land. Now, it is a fact of no small economic importance that a foreign shipowner is always willing to carry American goods for a consideration, no matter how heartily he may hate Americans. Sea transportation is a business and not a religious or sentimental activity. Obviously this whole argument for national ships becomes a *reductio ad absurdum*, for how shall maritime nations promote their commerce without at the same time promoting the commerce of those countries with which they trade? It may be asserted that the nation without a merchant marine is excluded from intercourse with undeveloped and colonial countries.

But the undertakers of all nations are watching keenly for every opportunity to do profitable business. Our commerce with the Levant has increased so greatly in recent years that the Hamburg-American Line has found it advantageous to found a regular freight line between New York City and the ports of the eastern Mediterranean. Our commerce with the English colonies in South Africa has increased more rapidly than that of either England or Germany, though the two latter countries have their regular postal lines to South African ports. American agricultural implements have practically displaced German farm machinery in the Transvaal because they are better, lighter, and cheaper. No case has yet come on record of a German shipmaster refusing to carry American goods on the grounds that it might injure German trade.

The complaints that American shippers can not find transportation for their goods are heard in the halls of Congress, but not in the boards of trade. Our commerce with China is carried on mostly by American ships, but Japanese, English, and German ships compete with our own for a share in this carrying trade, as also in the trade with Australia, India, and other parts of the world. On the margin of indifference it is probable that patriotism would decide the direction of commerce. For example, if a German sailing master had collected cargo in Chinese waters which he could take to Hamburg or New York with equal chances of making profits, he would probably go to Hamburg. But such cases are not numerous enough to make it worth while to pay 9 or 10 million dollars yearly in bounties to regular American postal lines on the chance of catching this trade.

It may be said that the captain of a regular liner has no choice but to take his cargo home, so that national trade is bound to be increased. It must be remembered, however, that subventioned steamers carry an insignificant part of the world's commerce. About 2 per cent of the British merchant marine receives subvention from the Government and are bound by contract to sail over prescribed routes within certain time limits. A somewhat larger portion of the German marine is so situated—6 per cent would be a most liberal estimate. French sailers and steamers receiving the general subsidy are under no compulsion to increase French trade, and as a matter of fact choose the longest routes between foreign countries for their activities so as to earn the largest possible bounties. National commerce is a very secondary matter with them. In fact, the disadvantage of being compelled to sail regularly over the same definite course is urged as one of the chief reasons for the payment of subsidy to the postal lines. At the same time it is urged that regular communications are very much superior to an arrangement of voyages according to the needs of commerce. France has taken infinite pains to establish regular mail lines and to encourage French shipping so as to promote her commerce, but her exports and imports have remained practically stationary. The United States has done almost nothing in these directions, and her commerce has increased enormously. The history of the world's commerce seems to show conclusively that the nationality of shipowners is quite a secondary matter in the development of trade.

But a long course of wasting public moneys on private enterprises has hardened us. To take the money paid by all the people for the benefit of a favored few is unfortunately no longer astounding, but

none the less unrighteous. In consequence of this we ship steel plates to Antwerp, and thence to Belfast, and help the Irish compete with the English shipbuilders. Instead of cutting down the steel schedule and trying the experiment whether American labor, in a free market, can not by reason of its great efficiency defeat the poorly paid mechanic of Belfast and Birkenhead, we cap the absurdity by taxing the American laborer, in all fields of endeavor, to permit his master to build ships here, while steel plates are being dumped at the doors of the Belfast plants by the steel trust as low or lower than in our own shipyards.

So much for the shipbuilding argument. If we are to build ships, paradoxical as it may seem, we can not have ships, and if it is not to help the American shipyards, why not let American capital bring what it has purchased, wherever they can be bought cheapest, and register them under our flag? The two greatest maritime nations, England and Germany, practice this policy successfully.

WHY OUR MERCHANT MARINE HAS DECLINED.

The statement has been made that it costs from 20 to 40 per cent more to build an American ship than a foreign ship of that class and it costs from 20 to 40 per cent more to operate an American ship than a foreign ship.

This seems to me about as good a reason as could be advanced why the Government should not allure capitalists to invest in an industry that it seems can not be made to pay. These are not temporary disadvantages we are now suffering from, but are bound to increase year by year as the standard of living and the high wages obtained in the paying extractive industries affect the wages of mechanics, and gradually raise the standard of living of the workmen in the protected industries. The entering wedge of this bounty system will soon make of this intrenched wrong a vested right, which will claim with some degree of plausibility a right to continuance at your hands after having been called into being by you. It can not be limited as to time. Like the infant industries of forty years ago, they have become our masters.

Doctor Meeker on this subject says:

We have had at least one notorious instance in our history of actual bribery by a steamship company to secure a larger bonus from the Government. Our experience with subsidized railroads and industries protected by the tariffs should have taught us to distrust the whole principle of protection. Every aid given to private enterprises makes them the greater beggars, while it increases their ability first to ask, then to bribe, and finally to demand alms from the people.

If a subsidy policy is once begun it may not be so easy to stop. Even though it could be shown that a proper subsidy, judiciously administered, would be economically beneficial, the impossibility of freeing the legislature from the corrupting influence of interested lobbyists would condemn the theory in practice.

I have endeavored to show that without the handicap of a trust-breeding tariff we could build ships as cheaply as foreigners, but our seamen are right in demanding legislation against the extortionate rapacity of the owners, and therefore demand a higher standard of life and of good wages. Not only do I not blame them for this demand, but I am proud of it. The effect of universal and unrestricted free trade among 88 million people have made that demand not only possible but effective. And consequently you can not sail

these ships in competition with the crews living under a lower standard than that demanded by Americans.

Think of it. Here you have daily before your eyes and peculiarly within your own knowledge the results of what absolute and unrestricted domestic free trade has done for 80 millions of people—all alike patriotic, and all alike desirous of making the most of life—and you have the effrontery to claim that the tariff and its abomination of protected parasites brought this about, and that the wages and standards of living of the wage-earners of this country are determined by such industries, which, according to your own showing, could not exist except through diversion of public revenues.

That is assuming the sincerity in your protestation on behalf of the wage-earner. As a matter of fact, you are not sincere in this. And seamen on bounty-fed ships, which could not exist but for the bounty, would soon be in the same position as regards wages and conditions of life as existed in the anthracite coal fields. United action on the part of laboring men in this country alone keeps up wages. Although we have by the bounty of the Almighty an unlimited supply of perfect coal, the conditions revealed by the commission after the great strike showed that behind your tariff barrier, administered by men who blasphemously claimed the exercise of a God-given attribute, in an industry where, if ever, your claims of raising the standards of life should have shown itself in a living wage for the miners, your beneficiaries ground the faces of the poor and mocked the sufferings of the women and children. The protective tariff, where it does exclude foreign products in quantities, does not raise the wages—nay, it depresses them below those obtainable in open industries, which, after all, set the standard of wages. Iowa, Kansas, and California set this pace, and not Pennsylvania and Massachusetts. And so it is that I dread the artificial stimulation of this proposed new infant industry.

Quite recently we heard extracts from the writings of Henry Clay and Jackson as to their expectation of the tariff. Sixty years and more have passed, and, like Tories and Bourbons, you cling to the antiquated forms of exploiting the people. That you do not have a corn tax to supplement your other iniquitous extortions is due to the fact that the extractive industries, like corn, wheat, and cotton raising and lumber, set the standard of wages. Instead of addressing yourselves to stopping this waste you want to increase it by adding another protected hobo to the list of those who are to be fed and supported by the public. Because if an industry does not pay and can exist only by reason of public contributions, it is like any other eleemosynary system of an educative value, but of no more economic use than an almshouse.

What sensible arguments have you brought forth that can seriously hold water? The statistics of the decline of our wooden tonnage is coincident with the increase of our greatest material growth, and it is just as fair to argue that the protective tariff caused a decline of shipping as that it built up our country. Americans earn more on shore than they could on the freighter on the ocean, and American capital is invested in foreign shipping because no false pretense was required to permit the owner to exploit the ships, the officers, the men, and their stokers. You first prevent the registry or purchase of foreign ships, and then complain that our flag is not shown in every

port, while you force American capital to embark in foreign ships, because you are justly afraid of the labor vote, which would object to your practices, differing so widely from your preachings. And this brings me to the next pet argument of the bounty grabbers,

THAT THE FOREIGNERS CONTROL OUR COMMERCE.

The great laws of demand and supply govern the price of staples, whether at New York, Liverpool, Chicago, or Antwerp, Detroit or Alexandria, and the seaway being open to all in the long run this ocean-carrying trade regulates itself to meet increased demand. Why, then, when foreign ships do our carrying for us, should we care who does the work so long as it is done cheaply and well? To hear those in the interests of the ship bounty lobby one would think that the ocean trade was something supremely beautiful and romantic, and that ocean freighting had a peculiar glamour, derived from the buccaneer days. You may not remember that Kidd was one of the first products of a bounty-fed shipping. England and the colony of New York both share in the responsibility of equipping and starting his bounty-fed commerce, and when it failed to pay (the laws of demand and supply being the same as it is now) Kidd ran amuck. That was because he could not join, consolidate, and Morganize, if you will permit me, the carrying trade and prey on it within the statute law.

Far be it from me to resort to the argument *ad hominem* or *ad navem*. My case does not require any such aid.

The trust or combination of all shipowners against American trade is a pet scare to lure other people's money into the maw of the shipping trust, and yet the shipping trust would undoubtedly be the chief beneficiary of any such diversion of public money as this bill contemplates. Do we really believe that ships are changed in their character as traders because one flag or another flies at the main truck? Don't you know that ships, whether they are Norwegian, Japanese, English, or German, must get a return cargo or go out of business? How, then, is it possible to expect grown men to believe that a combination of shipowners can monopolize the ocean carrying trade? Does not the mere statement carry its own refutation?

If such a combination were possible among the carriers on the North Atlantic, don't you know that the grain and the cotton would flow to Galveston, New Orleans, and Savannah, and that every ocean tramp would flock to these ports? If you really fear the combination of ocean carriers, why not try to regulate them by subjecting their freights to the rate-making power of the Government and give the Interstate Commerce Commission control over the ocean rates as well as over the land-borne commerce of the country? That ocean rates can be regulated by a Federal commission or by any agency you choose to create is not a question of power but of expediency. I am greatly in favor of trying some plan of this character before we embark in expensive bounties wrung from the common people through the United States Treasury. We have to-day the greatest merchant marine in the world in our coastwise, lake, and river carrying trade. All of this great fleet must be built and repaired in American shipyards.

We are told, however, that a war between great European nations might cause our products to rot in our fields, and this in the same

breath with the statement that every other nation is turning out bounty-fed ships.

Yet is it conceivable for us, who have lived forty or fifty years, to believe that a case can arise in which all maritime nations are engaged at once, in which no ships are available as carriers? Is it not a fact that the great waste entailed by modern war must ultimately be borne by all commercial nations? Our staples will be carried war or no war. People must be fed and clothed, and that carrying trade will go on. The falling off of dispensable commodities would not affect the value of our staples. If we had a bounty-fed shipping depending on a bounty for an existence the inevitable falling off of high-class freight would at once furnish an additional reason for a clamorous appeal, and recourse to public funds.

It is eminently characteristic of the advocate of subsidies to state, in the same breath, that the free purchase of foreign-built ships would not solve the problem and then to state that millions of American money is invested in foreign ships. Plausible as their argument may be, in its last analysis it is simply an attempt to get a sum sufficient to perform double work to guarantee the shipbuilder and then the shipowner. I have shown above how irreconcilable this conflict of interests is bound to be. It has been claimed by trained observers that we are a nation of boys, whose general characteristic is a dislike of expert opinion. A nation that will not learn from the experience of others, that must burn its fingers in each generation, must inevitably fall into every financial, economic, and industrial quagmire in order to learn its lesson. Not so many years ago a Member of Congress exclaimed, "What can Europe teach us?" Our position as a world power should have taught us that efficiency by a legislature can only be done when we husband our energies to accomplish feasible things. What is feasible may be learned by the hard-bought experience of foreigners, much more easily than by again and again trying the feat of raising ourselves by our boot straps.

What has been Europe's experience with ship subsidies? A candid answer would compel every student of the subject to admit that subsidies have been a great failure, a vast and wanton waste of public funds.

France and Austria by bounties may have built up shipping, but that was accomplished by sapping the vitality and soul of domestic industries and leaving a giant infant industry whose weakness increases with its growth and age. Furthermore, the amount of governmental supervision and paternal coddling, the huge army of officials, fattening on this as on every enterprise in Austria and France which have the faintest connection with the Government, should certainly deter us from following their footsteps.

The history of German ship subsidies is well stated by Doctor Meeker, but I can insert only his conclusion:

A certain class of people in England, and especially in the United States, read the evidences of Germany's progress in shipping, and, by means of a process which it would be flattery to call reasoning, they conclude that this progress is due to enormous subsidies paid by Germany. There is only one sufficient answer to this assertion. It is absolutely false. First, as we have seen, Germany does not pay large subsidies. Though the contracts are not let at public auction, the Government takes good care of its end of the bargain, and requires good service for moderate pay. In relation to miles traveled the German service is cheaper than the English, though in relation to the quantity of mails it is considerably dearer. Secondly, no possible connection between the postal subventions and the growth of the marine can be established. The North German Lloyd and the Hamburg-Amerika

Line owe their great success to the emigrant movement to the United States. It is scarcely necessary to mention the great industrial revolution in Germany since 1880 to prove that the growth of German shipping is entirely independent of official tinkering. As to the indirect bounties, their influence can hardly account for any considerable part of the rapid development of German shipping and commerce. As was shown above, the intent of the Government was undoubtedly to aid shipping and encourage trade. If this motherly hovering has produced good results, it has been because of its inadequacy.

Doctor Meeker shows that Great Britain has never granted general navigation bounties, and, with the exception of the bounty of 5 shillings per ton for vessels above a certain tonnage, granted in the reign of Elizabeth, no general construction bounties have ever been granted by the British Government. When mention is made of British shipping subsidies, the postal subventions are invariably meant. And from Great Britain let us shift our view to Japan. Here is what happened as described by the same writer:

Shipping grew as rapidly before the law of 1896 as after, in spite of the monopolistic power of the Nippon Yusen Kaisha. Since 1868 Japan has experienced an economic revolution even more astounding than its political revolution. The methods and machinery of production were changed with incredible rapidity. In a few years the nation rushed from barbarism into civilization through the power of its imitative genius. But the progress was not swift enough to satisfy the leaders and they imitated the protective methods used in western lands to stimulate progress. The first experiment with state-aided steamship navigation created a monopoly that exploited both Government and people. The attempt to fight the devil with fire by creating another state-supported steamship company to compete with the first led to a "community of interests" arrangement that must excite the admiration of the king of Wall street promoters. But the ambitious Japanese leaders were determined to have immediately all the institutions possessed by European nations, and accordingly long-distance postal lines were established by the law of 1896. There is no doubt that the lines established by this law are now running profitably. It is equally certain that the law was in part responsible for the subsequent stagnation in trade and industry which led the government to modify this extravagant measure. The laws of 1899 and 1900 provide for very large expenditures in proportion to the resources of the country and the value of money in relation to commodities and services, but the expenditures are held within limits so there can not be a repetition of the too rapid multiplication of ships. Whether these payments are purely subventions for postal service or partly subsidies, they have attracted capital into shipping, and the economic development of Japan, her geographical situation, resources, and the character of her population made the development permanent. Shipping would have developed anyhow—in fact, was developing with great rapidity. The Government merely gave form to the maritime undertakings of the capitalists. It will always be a question if the Government gave the best direction, whether the development would not have been sounder, though less rapid, had the capitalists been left to decide for themselves what lines to establish.]

The German steamship companies have made a profitable business of the emigrant trade, and the Government never diverted capital into new channels, the traders preceded the shipping. When we have a sufficiently large export trade, Americans will build ships, bounty or no bounty; but let us not forget that the Germans wanted ships, not bounties, for work done, and that shipbuilding material was imported free of duty. The testimony of the general manager of the American-Hawaiian Steamship Company, the first week in April, before this committee was that his company were building six new steamers for the Pacific Ocean and the Carribean Sea trade. The customs tariff of Germany exempted from duty all materials of construction and equipment of seagoing vessels, and after the Government controlled the railways they granted to the German industries exceptionally low rates on shipbuilding material and on coal and on steel. They admitted the unfairness of the protective tariff principle, by virtually making all the interests affected sharers in this diversion of public funds. The rates granted by the state railways, and by the bounty-

fed shipping, help exports, and are not fettered by illogical and self-contradictory system of railroad rates violating the principle of protection to domestic industries. The Germans know full well that you can not export unless you import, and in spite of the illogical conditions have made a partial success of bounty-fed shipping under strict state control, but we should not forget that the Germans have a tiny ocean front, and an immense surplus population, and that their neighbors have all tried in vain to increase the national well-being by mutual taxation.

In order to make the German example a valid application here, similar conditions must prevail, and until then Germany's example is misleading.

The example of England shows that ship subsidies are of no earthly use to progressive and paying concerns. That they only insure dividends and retard development, and that the free ships force the pace of the subsidy beggars. Examples of this are not wanting. Listen to the following from Doctor Meekes' work:

"The statistics of the commerce and shipping of France, Italy, and Austria, quoted by the opposition to show the harmfulness of bounties, are by no means so worthless, for they show that, at least in some cases, bounties do not lead to an expansion in commerce and shipping. But to conclude that a bounty to shipping in the United States would act like a bounty to shipping in France is the reverse of reasonable. It is quite probable that this country would increase its shipping by means of bounties; but, as has been repeatedly pointed out, the enlarging of an industry by government aid does not mean an economic gain, much less an ethical gain.

Although the popular arguments for bounties are based on meaningless statistics, and are rather oratorical than logical, it seems necessary to consider some of the assertions most frequently made and most likely to mislead.

Saving of freight charges.—The subsidy advocates assert that the vast sums paid to foreign shipowners as freight charges will be saved to the country as a result of the bounties. This they regard as their most telling "economic" argument for the subsidies. Mr. Charles H. Cramp, of the Cramp shipbuilding firm, has used this argument with peculiar enthusiasm and energy. He informs us that we must pay the freights both ways, if we employ foreign shipowners to carry our exports and imports. Continuing he says: "No fine-spun theory of cloistered or collegiate doctrinaire can wipe out these facts." We can not but feel a passing qualm of pity for the miserable doctrinaire, culpable though he may be. It seems needlessly harsh to crush him so remorselessly with such very wonderful facts. The only possible criticism of these facts is that they are not true.

It is only Mr. Cramp's authority as a business man which makes it needful to consider his assertions here. He asserts positively that no nation can own ships unless it builds them. He tells us that the United States is the most profitable dependency of Great Britain. The position of India is pitiable; that of the United States is contemptible. English prosperity means the misery of everyone else. We pay a tribute of 300 million dollars every year, and never get any of it back except by borrowing it on bonds. There is thus a ceaseless ebb of gold from this country to England. This is a fair example of the business man's economic theory.

Nor do our protectionist statesmen get much higher than these crude misconceptions of what really takes place in the commercial world. Mr. James G. Blaine may be fairly said to have represented the best and most intelligent views of the protectionists.

In a speech delivered before the New York Chamber of Commerce in 1881 he said, "We pay 110 million dollars per annum for the carrying of products between this and foreign countries. Think of it! 110 million dollars in gold coin has gone out of the commerce of this country into the commerce of other countries. Can New York stand this? Can this great port stand such a loss as this, with all her unbounded advantages of position and of resources, and with the magnificent continental commerce that stands behind her? I say, gentlemen, that if the carrying trade of this country, aggregating 110 million dollars, is permanently turned from us, then the question of specie payments becomes one of far more complicated difficulty than it is to-day, and the only way to make it easier of solution is to turn the current of gold from those coffers into our own."

The flow of gold from our coffers into those of foreign countries has ever had a most distressing effect upon our mercantile economists, whether they have been in the shipbuilding business, ocean transportation business, or in the United States Senate. This appalling

state of flux has inspired full many a sublime flight of oratory; it has been the motive of much laborious "statistical" work. We might ask if gold really does flow out of this country, or why it should do so simply because foreign ships do our freighting for us. We might inquire what dreadful evil will befall us if we shall pay our freight bills in gold. Since Mr. Blaine's speech our foreign commerce has gone on increasing enormously, while our merchant marine engaged in foreign trade has continued to decrease. Yet the country has not been ruined nor have specie payments been suspended. Even the great port of New York has borne up remarkably well under the terrific drain of gold which, according to Mr. Cramp, is increased to 300 million dollars per annum.

What are the grounds for asserting that we must pay the freights both ways as a penalty for our inability to run ships under the American flag? The comprehension of this subtle theory is strictly limited to those men in the shipping industry and some few "practical statesmen." There is not even the most superficial excuse for such a statement. If our merchants were the only merchants in the world, then it might be said that they must, in the first instance, pay all freights. The absurdity of assuming that we must deduct freights from the value of our exports and add freights to the cost of our imports is too evident to need discussion. Professor Cairnes shows that of two countries carrying on exchanges, the one that has the greater natural resources exchanges at an advantage because of the greater productivity of its labor and capital. The cost (meaning the subjective cost) of 1,000 units of value is less in the United States than the cost of a like number of units of value in England.

He argues, therefore, that the United States derives the greater benefit from exchanging. Taking this view we may reasonably say that England in reality pays the freight both ways, or at least the greater part of them. Whoever pays the freights, the mere fact that commerce between the United States and Great Britain is carried on and is steadily increasing shows, beyond the possibility of contradiction, that the commerce is profitable to both countries. If the statements of Mr. Cramp and Mr. Blaine really required refutation the statistics of commerce would furnish a sufficient rejoinder.

It must be evident to anyone who understands the first elementary principles of international trade, that we pay no more than our proper share of freight charges. But Mr. Blaine and his followers tell us the amount we do pay goes into the hands of foreigners and is "diverted from our commerce." It is forever lost to us unless we borrow it back on bonds.

Here, again, the vacuity of the argument baffles the economist. Furthermore, it is not and never has been true that the entire amount paid to foreign steamship lines in freights goes out of the country. A large percentage of the tonnage carrying our foreign commerce is owned by American capital, though sailing under foreign flags. The profits and dividends on capital remain in this country, which fact should soothe the sorrow of those who mourn for the gold that flows out of our coffers.

The argument of the ship-subsidy people that by spending public money on ships we will keep at home the freight now paid to the ocean carriers has been refuted, first, by their own showing that American capital is invested in foreign ships because it pays better, and, second, because it is based on the fallacy that a ship need not earn return freight.

THE ARGUMENT OF THE AUXILIARY FLEET.

When you have destroyed every argument of the ship-subsidy advocates they bob up with their last and greatest argument that we must have an auxiliary fleet, and that ships under American registry can only supply this need. I like the statement of the Merchants' Association of New York, and I shall quote an extract of the reply sent March 5, 1906, by George L. Duval, chairman of the ship-subsidies and shipping committee, to the inquiries from my friend, the gentleman from Pennsylvania, Mr. Wanger:

Whatever aid is accorded by the Government to the development of the shipbuilding industry should be in the nature of a tax upon the entire body politic, because the subsidy proposed can not be defended as an aid to commerce, but only as assistant to a necessary adjunct in the national defense.

If ever an admission against a special interest was well stated, it is found in the above paragraph.

It is not our duty to build ships which may be used as an aid to war vessels, and to claim that they can be used as freighters. A ship to be a good freighter must have a maximum amount of hold, with a minimum waste for storage of coal. In other words, it is bound to be a slow ship. In battle a ship must be able to strike quickly, get away quickly, maneuver quickly, and be ready to strike again.

Once more I read from Doctor Meeker's work, pages 215-216:

The policy of giving extra admiralty subventions to vessels convertible into cruisers in case of war is followed by England. The results are not satisfactory. Vessels built after admiralty plans are neither good merchant vessels in peace nor good cruisers in war. The coal bunkers and machinery take up too much room for a merchant steamer. They are too slow to run away from the very swift vessels built solely for cruising and too light to fight. The British board of admiralty reported in 1902 that the amounts already spent in admiralty subventions were practically wasted and recommended that these payments be discontinued. War vessels are so highly specialized now that a merchant vessel can not economically be made over into a naval auxiliary. Fast steamers built solely for commercial purposes make far better transport ships than do the convertible cruisers. The use of the vessels of the American Line as cruisers during the Spanish-American war did not furnish any evidence tending to modify these views. To expend large sums of money in creating a fleet of inferior merchant vessels capable of being converted into fourth-rate cruisers is neither economical nor politic. It is better, then, to have the mail steamers built solely for commercial ends. In any case the postal and admiralty subventions have no connection with building up the general merchant marine.

The necessity for subsidizing our ocean-going tonnage in order to train up recruits for our Navy is not pressing. The people interested in subsidy measures overlook the fact that the United States ranks next to Great Britain in tonnage of shipping to-day, and has ranked second from the beginning of the nineteenth century. In ocean tonnage engaged in foreign trade we rank third, close after Germany. It is asserted that subsidies to our fisheries are especially desirable, as most of the marines and sailors employed on our naval vessels come from the fishing vessels. If this is really the fact, perhaps the fishing bounties are justifiable. But, so far as technical skill is concerned, a fisherman is no better instructed in the kind of labor required on board a war vessel than is a canal boatman. The idea that a large ocean-going marine is needed to strengthen our Navy in time of war is utterly fallacious. A large merchant marine is in time of war a source of weakness, not of strength. Nobody takes seriously the provisions of the treaty of Paris declaring the shipping of an enemy to be neutral in time of war. Merchant vessels must be protected against the cruisers of an enemy, thus subtracting from the available force of the fighting navy.

Unless the argument as freight carriers is thrown aside, the ships proposed to be built from public funds can not have speed and carrying capacity combined. The two ideas are incompatible. In the case of passenger steamers there is some plausible pretext permissible, but the advocates of this bill have thought it wise not to ask the taxpayers of the country to give up their money in order to make passengers go to Europe quickly, and it is inconceivable to believe that we want to import laborers at reduced rates of passage to compete with our workingmen, so that we can drop the argument for passenger steamers, and freight steamers are useless as auxiliary to our naval force, or even as transports, which should be swift-going vessels. The lesson of the Russian defeat is not lost on us. Among the many causes that brought it about the lack of homogeneity of the Russian ships was not the least. The slowest ship sets the pace for the squadron, and in any battle a weak ship is the opening for a clever attack, so that the proposed ship-subsidy advocates, if successful to force our freighters on our men-of-war, would be aiding and abetting the enemies of our country in its hour of need, for these ships would be neither fish nor fowl nor good red herring.

Believing that my efforts, feeble though they may be, will throw some light on this question, on which the greatest minds differ, I

shall in conclusion add an editorial from that sterling stand-pat Republican daily paper, the New York Press, of the date February 16, 1906, which speaks for itself:

THE SENATE SHIPPING PIRACY.

The ship-subsidy bill passed by the Senate ought not to receive even the courtesy of debate in the House. Divested of its sham virtues of naval reserves and fixed percentages of American seamen in the service, it is nothing but naked piracy against the United States Treasury to turn money into the hands of individuals already holding investments in shipping, but not satisfied with their financial returns.

The Senate piracy is not a bill to restore, enlarge, and maintain a flourishing shipping; it is a bill to fatten those already in the business, without creating a new merchant marine.

The people of this country do want a merchant navy. They realize that it must be built. They would favor any plan which embraced the creation of more shipping. From the Senate they would get nothing of the sort. They would, for the most part, only pay money into the hands of those owning existing shipping. This Senate scheme is not one to restore the merchant marine; it is one to enrich a few individuals, with absolutely no benefits following to the nation.

There is one way to assure enormous merchant fleets plying across the seas as successful and complete as the fleets on the lakes and in the coastwise trade. There is no coastwise shipping anywhere else in the world to compare with ours. No subsidies have been called for by it. There is no whine for subventions; no lobbying for mail contracts. The powerful industry has grown and continues to grow because it exists under a policy which provides business for it.

If there were a policy that provided business for transoceanic ships as for the coastwise vessels, capital would build and operate shipping for the oceans as for the lakes and the coastwise traffic, and it would never ask nor want for subsidies; and the fleets, springing into being, would make money—they would flourish and increase. The American bottoms would regain the supremacy which they held on the oceans for half a century when the shipping policy of the nation provided business for American ships.

If the House is to make an effort to restore American shipping and to provide that it shall be maintained as a self-supporting institution, it will waste no time on the Senate measure. It will insist on something that will provide business for American bottoms. A tonnage tax discriminating against foreign vessels engaged in the traffic with this country will do this; a discriminating tariff duty in favor of the vessel which sails into our ports under the Stars and Stripes will do it. Subsidy without business never will.

(The committee thereupon went into executive session, after which it adjourned.)

COMMITTEE ON MERCHANT MARINE AND FISHERIES, HOUSE OF REPRESENTATIVES, Washington, D. C., Friday, April 13, 1906.

The committee met at 10 o'clock a.m., Hon. Edward S. Minor in the chair.

Mr. HUMPHREY. Mr. Chairman, I have here a letter from the president of the Boston Steamship Company which I would like to read, and then have it put in the record:

The ACTING CHAIRMAN. Very well.

(Mr. Humphrey thereupon read as follows:)

[Printed heading of the Boston Steamship Company, 131 State Street, Boston.]

Boston, April 10, 1906.

HON. WILLIAM E. HUMPHREY,
*Committee on the Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.*

DEAR MR. HUMPHREY: Understanding that your committee is considering the shipping bill of the Merchant Marine Commission, Senate 529, I wish to write to you some plain facts as to the situation of our American steamship lines in the North Pacific Ocean.

Our five American-built steamers, the 12,000-ton *Shavmut* and *Tremont*, of the Boston Steamship Company, and the 5,000-ton *Hyades*, *Pleiades*, and *Lyra*, of the Boston Tow

Boat Company, as you know, run out of Tacoma and Seattle on Puget Sound to the ports of Japan, China, and the Philippines. The officers of these ships and the leading men of the crews are Americans, while the rest are Asiatics, similar to those carried by our foreign competitors. Our ships cost more to construct than foreign ships, because of the higher wages of American labor in the Maryland shipyard, where they were all launched.

This higher cost is not due to any higher cost of material, for, as you know, steel for ships for foreign trade is on the free list, and, moreover, at the time when some of these ships were constructed steel was selling at a lower price in this country than abroad. You are doubtless aware that from 30 to 35 per cent only of the cost of a completed ship is represented by the various materials as delivered at the yards, and that from 65 to 70 per cent represents the cost of the labor in putting these materials together into the finished vessel.

The wages which the officers and leading men of our crews receive are very much greater than the wages paid to men of similar grades on our British and Japanese competitors.

Our American ships, which cost more to build and more to operate because of the higher wages of American labor, are in direct competition with two lines of subsidized foreign steamers. Our 5 ships receive in mail pay only about \$12,000 a year from the United States Government. Three British steamers of much smaller cargo capacity, running out of Vancouver, a few miles north of Seattle, and paralleling our course and competing sharply with us for certain business to Japan and China, receive \$291,000 a year in mail and Admiralty subsidies from their Government. These ships are officered by British subjects, and manned chiefly by Chinese. It was to this subsidized British line that the late Hon. William C. Whitney, then Secretary of the Navy, referred, in one of his reports as "a notable illustration of the generosity and courage with which England pushes her shipping interest."

Right out of Seattle and Tacoma, alongside of our 5 American ships, there run to Japan and China 3 Japanese steamers of the Nippon Yusen Kaisha, receiving \$330,000 a year in subsidy from the Japanese Government, which, in addition, grants to such Japanese ships a bounty of from \$8 to \$12 a ton on their construction.

Mr. HUMPHREY. I call the committee's attention to that, because I neglected to state the other day that they received from \$8 to \$12 a ton bounty for building the vessels besides the subsidy which they get for running the vessels.

(Mr. Humphrey thereupon read the remainder of said letter, as follows:)

These ships are officered and manned throughout by Japanese, who work, of course, for Asiatic rates of wages.

I have tried this business long enough to know that against such subsidized foreign competition the maintenance of American steamers is absolutely impossible. Our companies, through the regular service of their capacious ships, have developed a large export trade in flour, lumber, provisions, cotton fabrics, and other manufactured goods to the markets of the Orient. This has benefited the farmers of the Northwest, and, indeed, the producers of the entire country. But because of this heavily subsidized foreign competition our American steamers have earned no dividends. I can state to you frankly, and I wish you would announce this to your fellow-members of the committee and have it made a matter of public record, that unless the shipping bill promptly passes Congress we shall be compelled to haul down our flag and quit the route, laying our ships up or selling them to foreigners who are willing to grant some fair encouragement to a mercantile marine.

I have carefully examined the pending bill, and believe that it will save to the American flag the American ships that now remain on the Pacific Ocean. It will give us at least fair play against our foreign rivals, and that is all we ask. One thing that I would like to see added to the bill is a provision for a mail line from a North Pacific port to Vladivostok, in Siberia. Since the bill was framed the war between Russia and Japan has ended, Russia has lost her ports of Dalny and Port Arthur, and only Vladivostok is left as the gateway to the great Siberian Empire. As a result, a vast trade is developing at Vladivostok, and if American shipowners can have some aid in establishing a line to that port the farmers and manufacturers of our Middle, Western, and Northwestern States will be enabled to gain a proper share of this wonderful expansion of Siberian commerce.

You are familiar, in a general way, with what our American steamers have done to build up the trade of Puget Sound and the country tributary to it. You know, doubtless, also, that our ships carry to the Philippines the military stores and supplies for which the regular transport service is insufficient. I may add that our vessels, especially the *Shawmut* and *Tremont*, are adapted to the conveyance of troops and ammunition in case of need, each of the large ships having ample capacity for a full regiment.

With these facts in mind, I think that you and your fellow-members of the committee can understand what it will mean to the United States if our steamers, making up the most

frequent and regular, and almost the only, American line to the Philippines, are withdrawn from the service or transferred to foreign nations, as they inevitably will be if the shipping bill which has passed the Senate fails of action in the House of Representatives.

I am in a position to know that the fate of our ships in that case will also be the fate of the few other American liners now running to the Orient. I write thus frankly to you because I believe that I should fail of my duty as an American citizen if I did not give due warning that if your committee or the National House vote down the shipping bill you vote deliberately at the same time to strike the American flag on every oriental line, to destroy our Naval Reserve, and to hand over to the British or the Japanese the commercial and military mastery of the Pacific Ocean.

I write this letter because it is impossible for me to come to Washington before the end of the week. I have appeared before your committee and the Commission in the past, and most of the old members of the committee have had an opportunity to ask me any questions they chose. Should the new members care to ask me any questions, which my unfortunate practical experience the past three years in trying to run new American-built steamships with American officers under the American flag might enable me to answer, I could give them some actual facts in regard to the position to-day of what little remains of the merchant marine of the United States employed in the foreign trade. I and friends inaugurated our line, feeling sure that in the future a large and important commerce would grow between the Pacific coast of the United States and the Orient; also that the United States Government would recognize the vital importance to this country of having a merchant marine to encourage and build up this enormous coming trade, important to all branches of industry, manufacturing and producing, to say nothing of the other considerations, of which you have evidence in the accumulative reports before your committee and in the result of the exhaustive public hearings the Commission held throughout the country. In view of this we trusted that the Government would grant relief and assistance to the end of upbuilding a merchant marine worthy of the name and wishes of the citizens of our country.

The only satisfaction up to this time obtained by myself and stockholders for investing the amount of money we have (and we are glad we went no further before the actual enacting of a bill of assistance to shipping) is that we were "dead right" in calculating the growth and importance of the commerce between the Orient and the United States, which can be developed very rapidly if our Congressmen acknowledge this fact and give the people of our country the same facilities to avail of it that the governments of England, Germany, and particularly Japan are granting. There is nothing like the push, energy, and enterprise these countries are showing now, as for the past few years, to secure these growing markets for their products and goods, and they are doing it chiefly by running steamship lines under their own flags to all principal ports, even to some ports in anticipation of this coming trade, fearing others will get in before them. This means agents of these lines of their own nationality in the different ports, who are also merchants as well as ships' agents. There is no question as to the truth of the saying that "trade follows the flag." When starting our ships from the Pacific to the Orient, where we touch at the ports of Yokohama, Kobe, Moji, in Japan, and Shanghai, Hongkong, in China, and at Manila, I could not find a United States shipping or merchant firm to be my agents, and I was forced to employ English firms. If this bill should pass, we propose to enlarge our line to the extent that we can send out our own agents to the above ports. Now, running only the few ships, it would not pay us to do so.

If there is no assistance passed at the present session of Congress, we are through with the enterprise and will not build another ship, simply because it would be financial suicide to do so. I will predict, and from my practical experience I think I have a right to, that if no assistance is given by our Government not another steamship will be built for the deep-sea trade, except by one or two lines to which the Government now gives assistance and possibly one railroad line; also that sooner or later this Government will be forced by the growing desire of the people and for its own protection to build up the merchant marine by a much more drastic and expensive method. Every six months that goes by makes it more difficult and costly to regain what we have lost and are losing.

I remain, yours, very truly,

ALFRED WINSOR.

Mr. HINSHAW. Mr. Winsor says there that the 3 Japanese ships receive \$110,000 a year each, I believe?

Mr. HUMPHREY. Yes; \$110,000 a year each.

Mr. HINSHAW. And, besides that, when those ships were built the builders or owners received \$8,000 or \$10,000 a gross ton?

Mr. HUMPHREY. They received a bonus of from \$8 to \$12 a ton.

Mr. HINSHAW. That is, for the tonnage?

Mr. HUMPHREY. For the building, yes—for building them in Japanese yards.

Mr. HINSHAW. In addition to that subsidy the American line must compete with the wages and the decreased cost of maintenance of the Japanese vessels. How does the subsidy proposed in this bill compare with what the Japanese give their vessels?

Mr. HUMPHREY. It is very nearly the same. That is, it approximates to the subsidy that they receive. It is a little less; but in talking with Mr. Winsor, he has told me (and I think I have a right to make this public—I do not think it was intended as confidential) that he considered this bill sufficient. I think he made that statement before the Commission.

The ACTING CHAIRMAN. Yes.

Mr. HUMPHREY. And he told me a few days ago that he would immediately add a number of vessels—four, I think he said—to his fleet if this bill went through. So he considers it sufficient.

The ACTING CHAIRMAN. I do not think it quite reaches the difference in the cost of construction and operation, but it comes so near it that he is willing to take the chances.

Mr. HINSHAW. And there would still be left the competition in wages and maintenance to overcome?

Mr. HUMPHREY. Yes. He also further stated that he believes it will be profitable, if this bill passes, to establish another line to Vladivostok, and, as he states in that letter, and as he has stated several times before, they are going out of business otherwise—if they can not sell the vessels they are going to tie them up.

STATEMENT OF HON. EUGENE F. LOUD, FORMER REPRESENTATIVE FROM CALIFORNIA.

Mr. GOULDEN. Whom do you represent, Mr. Loud?

Mr. LOUD. I represent the Oceanic Steamship Company. I am the attorney for that company.

After all the testimony that has been taken by the Merchant Marine Commission, and the somewhat lengthy hearings that you have had here, it would seem to me an imposition upon you to enter into details regarding this subject. There are, to my mind, very few questions for you to consider. It seems to me to be admitted by your committee pretty generally (and I include in the word "generally," I think, the majority of the Democratic members of this committee) that some assistance must be rendered to the American merchant marine. If that is an admitted fact, and I think it is, the only question for you to solve is the form of the bill.

If you are honest and firm in your belief that the American merchant marine should be assisted, the responsibility devolves upon you to frame such legislation as will accomplish that end. If you have eighteen members of this committee, I assume that if you went off by yourselves you would have eighteen separate bills. That is the rule that controls in all legislation. You must work this subject out yourselves. If you start in with the thought that there must be legislation, that there must be assistance to the American merchant marine, you are recreant in your duty if you do not enact some legislation, and enact it at this session of Congress.

I have prepared a statement on this subject which was presented to some of the members of the committee. I do not know whether any of it ever went into print or not. I think that statement contains some very valuable information to govern the committee in framing legislation. While the pamphlet deals particularly with the Oceanic Steamship Company, and more especially with its line running to Australia, yet it contains many comparisons with foreign ships, with English ships, with Japanese ships, and with many ships on the Atlantic Ocean. If you frame legislation it must be borne in mind that the conditions are somewhat different on the Pacific from what they are on the Atlantic. For some years Congress recognized the difference in the conditions by paying an additional amount for the construction of naval vessels on the Pacific coast. Since that law has been withdrawn the Pacific coast has not secured the construction of a single vessel.

Perhaps it is not necessary to pay an additional amount for the construction of war vessels on the Pacific Ocean because you can construct them on the Atlantic. But you can not perform the commerce of the Pacific from any port of the Atlantic, and the growing commerce for us (and I think I speak for the country)—the growing commerce, the great, coming commerce for us, borders on the Pacific.

Mr. GOULDEN. May I interrupt you right there and ask you a question?

Mr. LOUD. Certainly.

Mr. GOULDEN. Why can we build war vessels on the Atlantic coast cheaper than we can on the Pacific coast?

Mr. LOUD. We have not large manufacturing establishments over there. We have to transport everything there. I am satisfied that wages are higher upon the Pacific coast, as a whole, than in any other part of the world. We are removed some distance from you. Perhaps we are getting closer every year, but we have not the labor market to draw from.

Mr. HUMPHREY. If you will allow me, Mr. Loud, right on that point, I might say to Mr. Goulden that I had occasion to investigate that matter; and taking the battle ship *Nebraska* as an illustration, Mr. Moran made a calculation for me which showed that it cost him \$150,000 more for freight for the material that went into a vessel built on the Pacific than it would if it had been built in any of the Atlantic yards. He took the farthest yard from the steel factory as the basis of calculation, and the difference in freight was \$150,000.

Mr. LOUD. But of course if you encourage commerce upon the Pacific the shipyards of the Pacific are going to receive the natural advantage that belongs to them. That is, if I, as a shipping man in San Francisco, want a ship for trade on the Pacific, I will naturally take into consideration all the factors in the sum. If I build a ship on the Atlantic, I have to send her over to the Pacific, and I would naturally consider that difference.

Mr. HINSHAW. Your more equable temperature on the Pacific coast allows you to conduct work there the year round, whereas in some places in the East they are liable to have to suspend work on account of cold weather?

Mr. LOUD. I think that is a factor; but in discussing this matter I do not care to enter into the theoretical questions, and I regard

that as one of them. I believe that the average man, and particularly the shipbuilder, because shipbuilders have to work outside, can do more work in our climate than he can in the severe climate here, either in the summer or the winter.

Mr. HUMPHREY. Mr. Hinshaw, if you will permit me, I will say that Mr. Moran on that question said that in his judgment the advantage of climate about offset the difference in wages paid between the two places.

Mr. LOUD. I think it is very likely that it will; but in the construction of iron and steel vessels we have to transport the material over there.

Mr. SPIGHT. So that would leave only the difference in the cost of getting the material to the yard?

Mr. LOUD. That, I think, is all. But I do not care to dwell on these which I regard as incidental questions. Those are questions upon which you have heard a great deal of testimony. I am not familiar with the building of ships. I am somewhat familiar with the operation of ships, having been a close observer of such matters. In my younger days I went to sea, and in my manhood I have traveled a great deal, and my attention has been drawn to these matters. I have some practical experience of the sea, and if you will consider the question of wages, when I first went to sea I got \$5 a month, the able seaman on the ship on which I sailed received \$10, and that was the going wage in America then throughout this country. The wages in this country were about the same as they were in Europe.

The Oceanic Steamship Company are at the end of their rope. It might be said that we come here particularly as suppliants for our line. I do not think that is quite correct, because the owners and operators of the Oceanic Steamship Company probably do not place much upon the fact whether they operate the Oceanic Line or not. It has never made any money for the company. They are operating at such an enormous loss now that even the pride of their president will not permit him to operate the line any longer. We first began to operate a line to Australia some twenty years ago in conjunction with English steamers. We ultimately built, in 1883, two American steamers, which we ran in conjunction with the English steamers. At that time, of course, Hawaii was a foreign port, and the English steamers that ran with us could do trade between Honolulu and this country. That trade, of course, has been closed to them, and that was one of the principal causes which disrupted the combination that existed between them and our line.

In 1899 we began the construction of three first-class American ships. Feeling that under the act of 1891 we could operate those ships and pay expenses, we built three ships at a cost of \$2,800,000. We have operated them since on that line. The net result is set forth in the pamphlet that I would like the members of this committee to read. Our line has lost on an average of \$365,000 a year.

It is for you to consider whether it is advisable for you, as representatives of the American people, to pay such subsidy to this and other lines of steamers as will permit them to compete with foreign vessels. Of course conditions have changed somewhat in Australia since we put this line on. Let me show you what subsidies we have to compete with:

The French line to Australia runs 14-knot boats and but 13 trips a year, where we run 17, and receives a subsidy of \$621,000. Now, these are conditions which confront us; there is no theory in this.

Mr. GOULDEN. How many knots do your steamers make?

Mr. LOUD. Fifteen from start to finish, including stoppages.

Mr. HINSHAW. This French line goes between the same ports that you do, does it?

Mr. LOUD. The French line goes from Europe; but they are competitors with us for that trade. Australia, you know, is situated about halfway, going east and west, between America and Europe.

Mr. HINSHAW. Yes.

Mr. LOUD. And we are competitors for the same trade.

Mr. GOULDEN. Not to the same points, however; one goes to Europe and the other comes to America?

Mr. LOUD. Yes. The fact that there is a trade there worthy of securing is fully set forth in this pamphlet. We have—and it was surprising to me to learn it—nearly 30 millions of exports to Australia. Now, is it a trade worthy of maintaining? That is for you to consider.

Mr. GOULDEN. Can you give us the amount of the imports to this country from Australia?

Mr. LOUD. About 7 millions. The imports are comparatively small. The great shipments from that country are wool, and, of course, our heavy tariff on wool substantially excludes it from importation into this country.

The ACTING CHAIRMAN. Mr. Loud, how do those French ships compare with your Oceanic Line ships?

Mr. LOUD. The ships are all about the same size. The P. and O. Line run some 10,000-ton ships; but all of them are from a little over 6,000 to 10,000 tons.

Mr. HINSHAW. Do your ships have trouble getting return cargoes from Australia?

Mr. LOUD. Of course, where we import so little in comparison to what is exported, we do have trouble.

Mr. HINSHAW. Is that the feature that troubles you in making money?

Mr. LOUD. That is one of the features; but with such subsidy as we receive now, \$280,000 a year, while we run at a very much higher rate of speed—and I suppose you contemplate what that means upon the ocean—we are compelled to compete with those steamers. I think we have better steamers; we give a more rapid service, and even to Europe we give quicker service than they do.

Mr. GOULDEN. But how would a subsidy encourage imports when they do not have much to send us except wool, which is practically prohibited?

Mr. LOUD. Our exports to that country and the imports are growing, as this pamphlet will show to you if you care to look it over.

Mr. GOULDEN. Certainly; I will do it with pleasure.

Mr. LOUD. Now, the North German Lloyd have 13½-knot ships, which make twelve trips a year, and receive a subsidy of \$499,000. The P. and O. Line, with 13-knot ships, make 26 trips, and receive \$425,000. The Orient Line, which is a 14-knot line, making the same number of trips, receive \$600,000. They have received \$150,000 additional per year during the last year. When the P. and O.'s present contract runs out, their subsidy will evidently be increased

Mr. GOULDEN. Those lines all run to Europe?

Mr. LOUD. Those lines all run to Europe.

Mr. HINSHAW. Would we not be called upon to increase these subsidies, then, just as soon as that happened?

Mr. LOUD. I am willing to admit that we shall be compelled to meet conditions all over the world as they arise. There is no use barking around the question. I am willing to admit that if we have more ships to build we can build them more cheaply; but if any other country gives its ships a subsidy of a million dollars, and has cheaper labor, we have to compete with it.

Let us look this question fairly in the face. The question is, Is the trade worth it? I believe it is.

I also give in this pamphlet a table regarding the Japanese Line and the Canadian-Australian Line. After we withdrew our association with English ships the English line—a Canadian-Australian line—was immediately started from Vancouver to Australia. There is a line with which, of course, we are brought directly into competition; it is on the American continent; and we give here a comparison of the wages on the Canadian line and the wages on our line.

Mr. GOULDEN. What subsidy does that line get?

Mr. LOUD. The vessels of that line make 14 knots, and make 12 trips a year, and receive \$330,000 subsidy.

Mr. HINSHAW. And what about the comparative wages?

Mr. LOUD. The comparative wages are given here in somewhat lengthy tables. We pay about 25 per cent more. I say, without fear of successful contradiction, that the Oceanic Steamship Company pays the highest wages of any company in the world.

Mr. HINSHAW. Do you have any Chinese on board your vessels?

Mr. LOUD. No; we can not run anything but white men. Our crews are absolutely all white, and the feeding of our crews costs us 55 cents per man, which is more than is paid by any steamship line in the world. About one-half of our crews are American citizens.

Mr. SPIGHT. Why is it that you can not use any but white men?

Mr. LOUD. We could not do much business in Australia if we did. There is a very strong feeling in Australia against any but white men, and many impediments are put in the way; and that is one of the reasons why the Orient Line receives additional compensation.

Mr. HINSHAW. How about these Canadian crews? Are they all white?

Mr. LOUD. I understand so; yes, sir.

Mr. HINSHAW. Are they Americans—that is, North Americans?

Mr. LOUD. I think so, generally. I suppose they are such crews as are generally made up where they are white men; I suppose there are some from all portions of the country. That is the line, of course, that comes nearest to us; and we pay 25 per cent more in wages than they do. If the governments of foreign countries increase their subsidies, you will have to meet them; and if any change takes place in the matter of feeding and salaries, that must necessarily be taken into consideration.

We have a protected country here. We protect every industry but shipping. It will not do to argue that protection is wrong. There is no doubt that this country has grown great under it. What the conditions would have been if we had not had protection is simply a theoretical question. We have it. Now, do you propose to say to

the shipping interests of this country, "We will not protect you; we can carry our goods cheaper in foreign vessels; let our commerce be swept from the sea?"

There is another fact that I have touched upon here, and that is the matter of the auxiliary cruiser. I have a table here giving the cost of maintenance of three auxiliary cruisers now belonging to the Government, and the cost of maintenance to the Government of the steamers of the Oceanic Line, which are steamers of just about the same tonnage. It cost more than one million dollars in 1904 to maintain these three auxiliary cruisers, one of which is the *Buffalo*, another the *Yankee*, and the other the *Prairie*, I think. The horsepower of our engines is nearly double what theirs is. Our speed exceeds theirs by far. The tonnage is just about the same.

You must not think that if you subsidize vessels of this character the amount of the subsidy is all loss. This country has to have an auxiliary cruiser service, no matter what my convictions may have been or are, whether we should have taken the position that we are now in, whether we should have taken the Philippine Islands or Porto Rico—do not let us discuss those matters. Do not let us discuss whether protection is right or wrong. Let us look at the conditions that confront us. We have them. We are building a big Navy. The merchants of this country will maintain, if you aid them, a very large auxiliary cruiser service at a nominal cost to the United States Government.

As I say, I do not think it is right for me to dwell at any greater length on this question. I think the members of your committee are to be complimented on their patience, their attention to the hearings of the committee. I have had some experience, as you know, in this line; and if I could ever get four or five out of a committee of sixteen or seventeen members to attend the hearing, I always thought I was doing well. I have noticed, during all the times that I have been here, that nearly your full committee has been here—at any rate a large majority of them. I think you have had hearings of sufficient length. If you are going to frame a bill, you will have to frame it, after all. If you come to the conclusion that we can not afford to give such subsidies as will maintain the merchant marine, drop the question. Say to the merchants of this country in some way, "We do not propose to assist the merchant marine."

The Oceanic Steamship Company built their steamers in the hope of such relief as would permit them to run them and such increasing relief, if demanded, as was necessary to meet foreign conditions. They built those three ships.

Mr. HINSHAW. How long have they been receiving this subsidy of \$280,000 a year?

Mr. LOUD. Since 1901.

Mr. HINSHAW. Five years?

Mr. LOUD. Four years last fall.

Mr. HINSHAW. At that time was it assumed that that amount would be sufficient to meet the foreign competition?

Mr. LOUD. We hoped so; we hoped so. But business men make mistakes—business men take great chances. You might apply the old quotation to business men in a country where there is as much money as this:

"Give to man but the semblance of hope, and he will climb, though trail the tenure and the grave beneath."

That is their business. J. D. Spreckels has been president of this company for a great many years; and, as you know, the Spreckelses are very wealthy men. He has great ambition to run a foreign-going line. Sometimes rich men will invest money on a mere idea. Perhaps that is what has compelled him to hold on so long as he has. All of the conditions that have arisen since this line was put on are set forth here.

Mr. SPIGHT. Mr. Loud, I understand you to state, with your usual candor on every question, that in your judgment the only limit to which we must go if we commence this system will be governed by what other countries do in the same line?

Mr. LOUD. I am free to say, myself, that we are compelled to meet such conditions as confront us, not alone as regards the merchant marine, but everything else. We have built up this condition in this country. Say that it is fictitious, that there is no use to waste any time upon it—whether it is fictitious or not, it is here. The condition of wages you can not change until you go back to ultimate free trade.

Mr. MINOR. Mr. Loud, this Government is now expending and has been expending something like 100 million dollars a year on the Navy?

Mr. LOUD. Yes.

Mr. MINOR. What is your judgment, now, in reference to this: Suppose the great foreign powers should change their naval policy and cease to build naval ships—do you believe this country would continue to spend 100 million dollars in the construction of naval ships?

Mr. LOUD. I do not.

Mr. MINOR. It would be because of changed conditions, then would it not?

Mr. LOUD. Why, certainly.

Mr. MINOR. Now, speaking about the probability of Congress at some future time granting more subsidy, it would be because of further changed conditions, would it not, from a commercial point of view?

Mr. LOUD. I am satisfied that if you pass this bill there are several shipowners in this country, or men who propose to engage in that business, who will build ships. They will try to do something under this act. I can say for the Oceanic line that we have partial plans drawn in anticipation; because, permit me to say, last fall—I will not mention any names, but men high in official power in this country assured me, and I know they assured other people, other interests in this country, that some shipping legislation would positively pass at the coming session of Congress, and that is this session. If I am not mistaken, it was some of the lieutenants of the Republican party; and hence we had—

The CHAIRMAN (Mr. Grosvenor). That has been in the party platform for the last twelve years.

Mr. LOUD. These men have been living on hope; and I ask you candidly to not try to fool them much longer with hope. Say one thing or the other. If you do not propose to aid shipping, every American ship will be laid up or sold. I say for the Oceanic Company that they have plans drawn for an 8,000-ton ship. They will proceed to build that ship under these conditions; and I believe that the shipping men throughout the country will try to run their ships under these conditions.

Mr. MINOR. Now, Mr. Loud, just one question more: If Congress fails to come to the relief of these great American companies of ours, operating American ships, what, in your judgment, will become of these lines on the Pacific Ocean—your line as well as others?

Mr. LOUD. I have heard several assertions about what is going to be done with them. We would naturally do the best we could. If we could not do anything else, we would lay them up. But we can sell them. We have new, good ships. The same is true of the Pacific Mail Steamship Company; the same is true of the steamers that run from the sound. They are all comparatively new, first-class ships. There is a country in the market for good ships. You all know that Japan wants ships. She is establishing lines all over the world. Now the fact that she can operate and build ships cheaper than we can is no reason why we should not try to do something; or will you admit that we are run off of the ocean by the Japanese?

Mr. HINSHAW. I understand that the subsidies provided for the Oceanic Steamship Line in this bill are contained in the eighth, ninth, and tenth sections.

Mr. LOUD. Yes, sir.

Mr. HINSHAW. Do you understand that that is in addition to the subsidy now being paid to these lines?

Mr. LOUD. I do not think—in fact, I am quite sure there is no line mentioned there that receives a subsidy, or is now operating.

Mr. HINSHAW. Then the subsidy to the present ships would not be increased in this bill, but this would go to other vessels and different lines?

Mr. LOUD. All except the Oceanic Line. This bill does give an additional compensation to the Oceanic Line, and we frankly show you here that we will not continue to run long without it.

Mr. MINOR. I can say to Mr. Hinshaw, Mr. Loud, that the Commission made up this bill before it had received thorough information touching your line; and when it was demonstrated to us beyond a question of doubt that you were losing more than \$300,000 a year with that line, the Commission felt that additional relief ought to be afforded you, and it was incorporated in the bill.

Mr. LOUD. Of course, as I have said to you, we must part company with Australia; we must abandon the commerce which has been built up since we have had communication with that country, from about eight millions dollars a year to about thirty. Now, is the trade worth it?

Mr. BIRDSALL. What is the amount of the mail subsidy now received by the line running from the Pacific coast to Australasia, Mr. Loud?

Mr. LOUD. Two hundred and eighty-three thousand dollars, practically.

Mr. BIRDSALL. The bill allows, in addition, a maximum compensation of \$217,000?

Mr. LOUD. Yes, sir; it brings it up to \$500,000. As I have shown, the lines with which we have to compete receive a larger subsidy than we do; and the P. and O. and most of those vessels running from Europe employ lascar crews, which are as low a grade of crews as the Chinese, though considered to be a little better sailors.

Mr. HUMPHREY. Mr. Loud, what do you know, if anything, about

negotiations by persons representing the Japanese Government for the purchase of the American steamers on the Pacific Ocean?

Mr. LOUD. I could not say as to that; I do not think I ought to say. I do not know more than you do outside of my own line, and if I were trading with you I do not think I ought to be asked to divulge what I might know about the trade. I know, and everybody knows, that we can sell our ships to Japan. There is no doubt about that. But if we can not sell them, we can lay them up.

I have some statements here that I will leave with the committee, if that is all.

Mr. GOULDEN. Mr. Loud, I want to say that I have been very much pleased with your statement. You were not in Congress with me; I came in the 58th Congress, and you went out with the end of the 57th; but I know who you are, and I am very much pleased with your statement. I will only take exception to one thing you said. You used the expression, regarding the Democratic Members, that they were willing to "assist." So far as I am concerned, the word "encourage" would fit better. I do not like the word "assistance;" it smacks too much of pauperism. I do not like the term so far as it applies to me.

Mr. LOUD. I can not remember using the word "assist;" but if it was used in the wrong sense I will withdraw it. The only thing I remember—

Mr. GOULDEN. I think, if you are sure of your premises, that the word "encourage" would be better than "assist."

Mr. BIRDSALL. How can you encourage without assisting?

Mr. GOULDEN. There are different ways of encouraging; but for assistance you usually go down deep into your pocket.

Mr. LOUD. All I have recollection of stating is that my understanding was that even a majority of the Democratic Members of this committee favored doing something for the American merchant marine.

The CHAIRMAN. Possibly the difference is that we have been encouraging people with our platform and our speeches—the President and Brother Cannon and other prominent men; and the distinction is that it turns out not to be of any assistance. [Laughter.]

Mr. LOUD. I will ask the stenographer to transpose those words, then.

Mr. GOULDEN. I just wanted to be clear on that statement.

Mr. HINSHAW. You never knew a Democrat to refuse assistance for building up a harbor in his vicinity, did you?

Mr. LOUD. Well, I sometimes go back to Hancock's definition of the tariff. I tell you it makes a powerful lot of difference whether the money is to be spent in our locality or not. We are about all human, whether we are Democrats or Republicans.

Mr. GOULDEN. That is right, Mr. Loud.

Mr. LOUD. I have seen some of our Republican friends that were pretty insistent against some things that affected some other parts of the country who were at least silent when the same proposition was up in their country.

Mr. HUMPHREY. Mr. Loud, I want to ask you a question before you go away. Suppose that Japan should purchase the vessels of your line, is there any assurance that they would continue to run

between San Francisco and Australia—that they would continue to run as they do now?

Mr. LOUD. That I do not know.

Mr. HUMPHREY. On the other hand, is not the probability that they would be put into the other trade and leave you without that service?

Mr. LOUD. I have no means of knowing. Of course, there is a trade between Australia and this country, and I should assume that if I were a Japanese merchant and bought ships running to Australia, if I could I would retain them in the trade and endeavor to ascertain whether it would pay or not. Of course, they can make a ship pay where it costs them only one-half in wages and less than one-half in the feeding what it costs us.

Mr. HINSHAW. Mr. Loud, if Congress should grant this additional subsidy of \$217,000 a year to your vessels, would that enable you to successfully compete with the Japanese vessels?

Mr. LOUD. Under present conditions we can do it; and, as I said, I can give you the positive assurance that we will build an additional ship, and we hope in a short time to build two other additional ships. Of course, you can not look far ahead in business. When you are doing business you have to look at conditions to-day and do the best you can.

Mr. GOULDEN. But, as you have stated, if the conditions changed we should have to change the subsidy?

Mr. LOUD. Why, certainly. If conditions change we must change to meet them, or quit. Merchants are confronted with that condition almost every day; they have to change front from time to time. They have to go from one business to another, from doing business one way to doing it another.

There are 18 of those pamphlets here, gentlemen. I think they are pretty valuable. That may be, however, because I compiled them.

Mr. GOULDEN. If you did, it certainly would not decrease their value for our information.

Mr. LOUD. I think there is a great deal of information there that will aid you in framing a bill, if you propose to frame one. There are comparisons outside of our own line. We compare specific ships, naming the ships and giving their tonnage.

I thank you, gentlemen.

STATEMENT OF THE OCEANIC STEAMSHIP COMPANY.

[United States mail contractors, ocean mail route No. 75, San Francisco to Australia, via Honolulu, Pago Pago, and New Zealand.]

OCEAN MAIL ROUTE No. 75.

In 1898 the Oceanic Steamship Company was operating a steamship service between San Francisco, Honolulu, Samoa, Auckland, and Sydney, in which two American steamships, the *Mariposa* and *Alameda*, each 3,158 tons register, and the British steamer *Moana*, 3,915 tons register, were employed. They jointly made 13 trips per annum and received a compensation of \$140,000 from the United States for carrying the outward-bound mails. From this amount there was a deduction of \$5,000 on account of one foreign steamship being used in the service.

The growth of commerce, the application of navigation laws to the Territory of Hawaii, and the necessity for meeting competition via the Suez Canal for the Australasian trade made it imperative to increase the size and speed of steamships to be employed in this trade. President McKinley and Postmaster-General Smith, recognizing the importance of maintaining the only direct mail service between the United States and British Australasia, advertised for bids under the law of March 3, 1891, for a service to be performed by vessels

of the second class, 17 trips per annum, time of voyage to be twenty-one days. Under the second-class specification vessels must be not less than 5,000 tons register, capable of 16 knots speed, and constructed to meet the requirements specified for auxiliary naval cruisers. The rate of compensation for such vessels not to exceed \$2 per mile for each outward voyage.

The Oceanic Steamship Company was the only bidder, and said company entered into a ten-year contract with the United States. It at once built three steamships of about 6,100 tons register each, of 17 knots speed, and began the new service on December 5, 1901.

The schedule time required under the contract calls for an average speed throughout the entire voyage of approximately 15 knots per hour. The distance in nautical miles is 7,210, and most of the voyage lies within the tropics. No other steamship line in the world performs such a fast service under similar conditions as to climate and distance.

The transition from the old to the new service resulted in:

First. The supplanting of a foreign vessel by one under the American flag.

Second. The building of three American steamships aggregating 18,459 tons register, of the auxiliary-naval type.

Third. Reduction of time in the delivery of mails between terminals from twenty-four and three-fourths days to twenty-one days.

Fourth. An increased number of voyages from 13 to 17 per annum.

Fifth. Greatly increased facilities for transportation of merchandise.

Sixth. An increase in total number of crew from 182 to 471, all whites, and shipped in the United States.

Seventh. An increase in wages paid of \$144,120 per annum.

Eighth. Employment of 18 American boys as cadets, as required by the law of 1891.

Ninth. The availability to the United States Navy of three steamships of the auxiliary-cruiser type, each capable of mounting at least four 6-inch guns and a large complement of smaller caliber, that have a steaming radius without refueling of 8,250 statute miles at 15 knots average speed, or shorter distances at 17 knots, that are always maintained at the highest rating known to maritime commerce.

This great improvement in the service, embodying as it does correlative advantages to commerce and postal service, increase of naval strength, and employment of American seamen, cost the United States Government but \$196,402.84 in 1904, or not as much as it cost annually to maintain a man-of-war of the unprotected cruiser type, such as the *Buffalo*, whose cost of maintenance in 1904 was over \$370,880.10, and that without any consideration of interest, depreciation, insurance, or taxes, which items all vessels of the merchant service must carry in their expense accounts.

INEFFICIENCY OF POSTAL ACT OF MARCH 3, 1891.

Three years of actual operation under the law of March 3, 1891, have absolutely demonstrated the inadequacy of the compensation allowed to steamships of the second class under the conditions of speed, frequency of voyage, and size of vessels required on the Australasian mail route. These three conditions are governed by the degree of competition for the trade sought, and in the case of the Oceanic Line it must maintain its position against the operations of six important steamship companies, all heavily subsidized by their respective Governments—England, Germany, France, and Japan—to secure for these Governments a share of the valuable markets of Australasia. England has a natural advantage over her competitors, Australia being under her flag and the Australian people intensely British in sentiment. The United States consul at Sydney, reporting to his Government under date of November 19, 1904, states: "There is a strong sentiment favoring British goods without regard to quality or price." Germany and France seek, by overshadowing subsidies granted to their steamship lines, to divert trade in their direction. Japan is in the race to establish herself among the nations of the world as a maritime power. Speed, frequency of voyage, and type of steamship employed must therefore be the essential factors in this struggle for commercial prestige—speed to equalize distances and reduce time in mail transit; frequency of voyage to obtain convenient interchange of correspondence, and type of vessel to meet part at least of the demand for commercial facilities and to attract the traveler—and there must be gradual advancement along these lines to keep pace with the growth of commerce.

At present the United States, in geographical distance and speed of its mail service, is eleven days closer in touch with Australia than any other important country except Japan, and it is this most valuable advantage that must be retained to the United States. By all the subsidized lines referred to the Oceanic Line is hopelessly outclassed in the matter of subsidies, wages, cost of maintenance, and operation of its vessels. Notwithstanding its yearly compensation of \$283,000 paid for carriage of mails under its contract with the United States, its average annual loss on mail route No. 75 has been \$373,349.02. To that

extent at least has the law of 1891 failed to equalize the conditions necessary for an American steamship to compete with its foreign opponents.

The Oceanic Steamship Company's vessels are brought into direct competition with the following-named important and highly subsidized mail steamship lines, which have Australia for their terminal point:

| Name. | Nationality. | Average speed on voyage. | Number voyages annually. | Subsidy per voyage. | Total subsidy received. |
|--------------------------------|---------------|--------------------------|--------------------------|---------------------|-------------------------|
| | | <i>Knots.</i> | | | |
| Messageries Maritimes..... | French..... | 14 | 13 | \$47,814 | \$621,587 |
| North German Lloyd..... | German..... | 13.5 | 12 | 41,604 | 499,245 |
| Peninsular and Oriental..... | British..... | 13 | 26 | 16,346 | 425,000 |
| Orient..... | do..... | 14 | 26 | 23,077 | 600,000 |
| Nippon Yusen Kaisha..... | Japanese..... | | 12 | 21,917 | 263,000 |
| Canadian-Australian..... | British..... | 14 | 12 | 27,500 | 330,000 |
| Oceanic Steamship Company..... | American..... | 15 | 17 | 16,659 | 283,203 |

The law of 1891 is inequitable, inasmuch as its arbitrary provisions admit of no distinction between mail routes on the Atlantic Ocean and those on the Pacific. Wages and fuel are, respectively, about 30 per cent less on the Atlantic than on the Pacific Ocean, but this inequality of conditions was evidently overlooked when the law was framed; and this law stands to-day a complete failure, so far as being serviceable for the promotion of the merchant marine on the Pacific Ocean, the experience of the Oceanic Steamship Company emphasizing this fact.

If it were possible to apply Atlantic Ocean rate of wages and price of fuel to steamships on the Pacific Ocean sailing out of San Francisco, the Oceanic Steamship Company could effect a saving of \$249,883 per annum.

COMPETITION WITH FOREIGN LINES.

In comparing the subsidies per voyage it will be noted that the lowest is paid to the Peninsula and Oriental—i. e., \$16,346 per voyage—as against \$16,659 per voyage paid to the Oceanic Line. But the British line has overwhelming advantages in the matter of lower wages (employing Lascar crews), and less cost of feeding this class of crew, they performing their voyages at 2 knots less speed and their vessels costing at least 30 per cent less to build ton, for ton.

Taking the number of men employed by the Oceanic Steamship Company as a basis, and—

First. Comparing crews, man for man, and allowing 20 per cent for greater efficiency of American firemen as compared with Lascars, the wages paid per annum by the Oceanic Steamship Company exceed those paid by the British company..... \$123,404

Second. The British Line has contract speed averaging 13 knots per hour; the Oceanic contract speed averages 15 knots. The 2 knots faster schedule of the Oceanic Line means greater expense for wear and tear, higher horsepower, with consequent increase in fuel consumption. This difference in speed represents an extra consumption of not less than 30 tons of coal per day, and the annual cost is reached as follows:

A round trip requires 42 steaming days. There are 17 round trips per annum; total number of steaming days 714. Multiply 714 days by 30 tons=21,420 tons, at \$4.57½ per ton..... 97,996

Loss of freight space to Oceanic Line (through necessity of carrying 21,420 tons of coal on account of extra speed), if valued at the nominal rate of \$3..... 64,260

Third. Ton for ton, the British vessels cost, at a minimum estimate, 30 per cent less to build and equip than the vessels of the Oceanic Line, which cost \$2,748,669. The Oceanic Line is therefore handicapped to the extent of insurance, interest, and depreciation on the extra cost of its vessels, i. e., \$824,600, at 15 per cent per annum to cover these items..... 123,690

Fourth. Cost of feeding entire crews of Oceanic Steamship Company per annum is \$83,755.13. If same scale of food were used as on the British Line, the cost would be \$45,583, or a saving of..... 32,217

Total extra cost of operating Oceanic Line as against operation of the British Line under similar conditions..... 447,567

Stating the foregoing in another form, if the Oceanic steamships were British built, partially manned by Lascars, and run at 13 knots speed, they would cost \$447,567 less per annum to operate. This would change the present annual loss of \$373,349.02 into a profit of \$74,218. But as a large portion of the income of the Oceanic Line is derived from the carriage of colonial mails and passengers, it is necessary to run on a schedule of 15 knots to equal the time of transit between the colonies and Great Britain; so that from the estimate we may eliminate the items bearing on coal consumption at 13 knots, i. e., \$97,966.50 and \$64,260, and there still remains the sum of \$285,311, which represents the difference of operating the line under American versus British conditions on cost of vessels, wages, and subsistence of crews. Therefore, assuming the subsidy per voyage to be practically the same to the British Line as to the Oceanic Line, to enable the latter to compete on an equal footing otherwise, it should receive an additional subsidy of \$285,311 per annum, or, say, \$4 per mile, instead of \$2 as at present.

We have based this argument on the grounds of competition with the British lines only. They, in turn, can complain that they are handicapped by the German and French lines, which are still more heavily subsidized. Yet there are certain advantages which, in a measure, assist in offsetting others; for instance, Australasia is British; this counts greatly in favor of British lines. Australasia is much nearer in point of time to the United States, and England can be reached almost as soon by crossing this continent as via the Suez Canal; this favors the American Line. Nevertheless, any advantages which the Oceanic Line may have are all represented in its gross income and its disadvantages in its gross expenses, and there is a deficiency of \$373,349.02, which should be made good to enable this mail route to exist as a distinct service.

It is true that the Oceanic Company has other sources from which profits are derived, but even after these profits are sacrificed on the altar of the American-Australasian service, there still remains an annual deficiency of \$255,397.

WAGES COMPARISON.

The Oceanic Steamship Company pays the highest wages of any steamship line engaged in the ocean trade in the world. It employs all white men, and ships its crews in the United States. To obtain a sufficient number of American citizens for its crews to enable it to comply with the terms of its mail contract with the United States, it is necessary to pay union wages, this leading practically to the employment of none but union labor.

Comparing the gross amount of pay roll for one year of the Oceanic Steamship Company for its crews on the Australian route, with what it would cost the Oceanic Steamship Company if said company paid the same wages as its competitors in the same trade, we find:

Total wages paid per annum, Oceanic Line, American..... \$235,440

| | |
|--|---------|
| If paid on the basis of Canadian-Australian Line (British) would be..... | 176,690 |
| If paid on the basis of Peninsular and Oriental (British and Lascar) would be... | 123,404 |
| If paid on the basis of Orient Line (British and Lascar) would be..... | 127,428 |
| If paid on the basis of North German Lloyd (German) would be..... | 129,492 |
| If paid on the basis of Messageries Maritime (French) would be..... | 129,492 |
| If paid on the basis of Nippon Yusen Kaisha (Japanese) would be..... | 97,708 |

Foregoing calculations being based on British wages being 25 per cent less than paid by Oceanic Steamship Company. British and Lascar wages aggregating 52½ per cent less than paid by Oceanic Steamship Company. German wages being 45 per cent less than paid by Oceanic Steamship Company. French wages being 45 per cent less than paid by Oceanic Steamship Company. Japanese wages being 58½ per cent less than paid by Oceanic Steamship Company.

It will be interesting to compare the actual monthly pay rolls of the following mail and passenger vessels, all of the same type:

| | Register. | Number of men. | Monthly pay roll. | Average per man. |
|----------------------------------|--------------|----------------|-------------------|------------------|
| | <i>Tons.</i> | | | |
| American S. S. Sonoma..... | 6,253 | 157 | \$6,540.00 | \$41.65 |
| British S. S. Orizaba..... | 6,300 | 208 | 3,534.96 | 17.00 |
| Japanese S. S. America Maru..... | 6,307 | 180 | 2,509.00 | 13.95 |

COMMERCIAL IMPORTANCE OF MAIL ROUTE NO. 75.

The importance to the United States of maintaining the present mail service is significantly illustrated by the wonderful growth of its trade relations with British Australasia

since the inauguration of the new service in 1901, a result which must be credited in a great measure to the employment of larger and faster steamships, greater frequency of voyages, and reduced time in the transmission of mails, these conditions being imposed upon the Oceanic Steamship Company by the terms of its mail contract with the United States.

| | Imports. | Exports. |
|--------------------------------------|----------------|----------------|
| For 4 years ending 1900..... | \$20, 449, 640 | \$79, 095, 730 |
| For 4 years ending 1904..... | 24, 256, 761 | 118, 756, 924 |
| Increase..... | 3, 807, 121 | 39, 661, 194 |
| Total trade increase in 4 years..... | | 43, 468, 315 |

Note the excess of our exports over imports. No other important country shows such a percentage of trade in favor of the United States.

Comparing the value of our exports to Australasia during the year ending June 30, 1904, with those of other countries which are looked upon as important markets of the United States, we find as follows:

| | |
|---|----------------|
| Exports to British Australasia..... | \$27, 343, 741 |
| Exports to Cuba..... | 26, 908, 986 |
| Exports to Japan..... | 24, 955, 032 |
| Exports to China, including Hongkong..... | 28, 864, 035 |

These figures are eloquent. Surely the Australasian trade is worth conserving; it is as yet in its infancy, and the thread which binds it to the United States is the one direct mail service performed by the Oceanic Steamship Company.

No market can be won or retained without mail communication, and it is the imperative need of commerce that compels nations at great expense to increase and foster their postal service, and the better the facilities provided the greater the opportunity for expansion of their national industries. All nations deem it desirable to transport their mails under their own flag. It would hardly be good policy to send circulars, samples, and mail to customers in the trunks of a rival commercial traveler. Too much stress can not be laid on the fact that rapid and frequent means of communication between cities, states, or countries promotes the interchange of commercial correspondence and offers inviting opportunities for business visits. All the world recognizes that the approach to a market should be made easy and convenient to the customer; hence the imperative need of fast mail and passenger steamships on the ocean highways. Should we not seek to induce foreign capital to invest in the products of the United States instead of those of Europe?

U. S. NAVAL STATION—PAGE PAGO.

[See map herein.]

Consideration should also be given to the important fact that the Oceanic Steamship Company's steamships afford the only regular communication with Tutuila, one of the insular possessions of the United States, and where the United States naval station of Pago Pago is located. This is the best port in the South Pacific Ocean, and occupies a highly strategic position for protection of the South Sea trade routes. It is on the direct course for the moving of naval vessels from the Atlantic seaboard to oriental waters, being 1,341 miles nearer to Manila than by way of Honolulu and Guam.

Its topographical features are such that a moderate expenditure for fortifications would make it almost impregnable. The Oceanic Steamship Company's steamships call each way every three weeks at this naval station, thus saving the Government the expense of a special service.

WEIGHT, IN POUNDS, OF MAIL CARRIED TO AUSTRALASIA.

It is significant to note the steady increase in the weight of mails from the United States to Australasia, and compare this with the expansion of trade between these countries, and note how trade follows the mails:

| | Letters. | Prints. | Total. |
|-----------|----------|----------|----------|
| 1899..... | 10, 801 | 222, 704 | 233, 505 |
| 1900..... | 13, 091 | 284, 358 | 297, 449 |
| 1901..... | 19, 687 | 337, 781 | 357, 468 |
| 1902..... | 22, 222 | 447, 324 | 469, 546 |
| 1903..... | 21, 207 | 463, 310 | 484, 517 |
| 1904..... | 25, 860 | 567, 802 | 593, 662 |

SAN FRANCISCO *v.* PANAMA CANAL.

San Francisco will always be the most available port of the United States at which the American-Australian mails will be received and dispatched, because of its being the nearest seaport to Australasia. The use of the Panama Canal will not reverse this condition, as, with similar rates of steamship speed on the ocean, the greater distance via Panama Canal to important cities of the Atlantic seaboard gives San Francisco from three to eight days' advantage in delivery of mails throughout the United States.

Distance in nautical miles.

| | Miles. |
|--|--------|
| Sydney to San Francisco..... | 7,210 |
| Sydney to New Orleans, via Panama..... | 9,014 |
| Sydney to New York, via Panama..... | 9,560 |
| Sydney to Boston, via Panama..... | 9,711 |

Approximate time required for transmission of Australasian mails between Sydney and various cities of the United States, based on similar rate of ocean speed, which, for purpose of this calculation, is placed at 14.30 nautical miles per hour, without allowance for stoppage en route.

| | Via San Francisco. | Via New Orleans and Panama Canal. |
|------------------------------|--------------------|-----------------------------------|
| | Days. | Days. |
| Sydney to San Francisco..... | 21 | 29½ |
| Sydney to Kansas City..... | 24 | 27½ |
| Sydney to St. Paul..... | 24 | 28½ |
| Sydney to Chicago..... | 24 | 27½ |
| Sydney to New Orleans..... | 24 | 26½ |
| Sydney to New York..... | 25 | 27½ |
| Sydney to Boston..... | 25 | 28 |

CONCLUSION.

It has not been the object in this statement to treat upon the necessity for the rehabilitation of our shipping industries. The recent hearings before the Merchant Marine Commission have amply developed public opinion on that score. The purpose which we have sought to gain in this statement is to demonstrate the utter failure of the present law of March 3, 1891, as applied in its workings to the important mail route from San Francisco to Australasia, and to show what increase in its provisions is necessary to enable this mail route to be continued. We have set forth as follows:

| | |
|--|-----------|
| First. Actual loss per annum operating mail route No. 75..... | \$373,349 |
| Second. Loss per annum, even after sacrificing profits of all other branches of the company's service in the effort to maintain mail route No. 75..... | 255,397 |
| Third. Extra cost per annum of operating mail route No. 75 under American conditions, against British conditions in same trade..... | 285,311 |
| Fourth. Extra cost per annum of operating mail route No. 75 under Pacific Ocean conditions, as compared with Atlantic Ocean conditions..... | 249,883 |

The present mail contract of the Oceanic Steamship Company provides for a payment of \$2 per mile, aggregating about \$283,200 per annum. If this compensation were doubled to \$4 per mile, or \$566,400 per annum, the service would then be placed more nearly on a parity with its foreign competitors, but even then it could not be classed as a profitable portion of the company's business.

Should a compensation of \$566,400 be granted to enable this mail route to be continued, it must be borne in mind that that sum would be offset to the extent of the amount received by the Government for sea and inland postage on mails destined to Australia, which in 1904 was \$86,800, which would make the net cost to the Government \$479,600, and as the weight of mails carried is constantly increasing, this amount is capable of still further reduction.

There are two reasons of primary importance why this mail service should be continued: First. Because it is the only direct mail service between the United States and a valuable market, which, by reason of its European population, is capable of vast expansion.

Second. Because of the naval auxiliary needs of the United States, having particularly in view the lesson taught by the Russo-Japanese war.

It is pertinent to this subject to draw comparisons between the annual cost to the United States Government for the maintenance of Government-owned converted cruisers and merchant-owned naval auxiliary cruisers of same type.

The three United States converted cruisers *Buffalo*, *Yankee*, and *Prairie*, each about 6,880 tons register, or an aggregate of 20,648 tons and 11,200 horsepower, of 14 knots speed, with armament of 22 guns, from 4 to 6 inch, and others of smaller caliber, cost the United States, in 1904, over \$1,041,000, including repairs, to maintain in commission. Against this the Oceanic fleet, *Sierra*, *Sonoma*, and *Ventura* were built under Government specifications for the purpose of speedy conversion into naval auxiliary cruisers. These three vessels, each about 6,100 tons register, aggregate 18,300 tons and 22,500 horsepower, and of 17 knots speed, capable of an armament of not less than 12 6-inch guns, with a large complement of smaller caliber, cost the Government only \$196,402.84 net in 1904.

It is thus apparent that it is vastly cheaper to subsidize naval auxiliary vessels, that in time of peace are upbuilding commerce, though ready at short notice to respond to the demands of war, than for the Government itself to bear the entire yearly cost of maintenance of an equal amount of available war tonnage.

Respectfully submitted.

OCEANIC STEAMSHIP CO.

APPENDIX No. 1.

Statement showing annual loss operating on mail route No. 75.

Total value of vessels in service:

| | |
|--------------|-----------------------|
| Sierra..... | \$921, 539. 91 |
| Sonoma..... | 923, 546. 95 |
| Ventura..... | 903, 582. 54 |
| | <hr/> 2, 748, 669. 40 |

Fixed annual expenses not included in operating account:

| | |
|---|--------------------|
| Interest on bonds, \$2,405,000 at 5 per cent..... | 120, 250. 00 |
| Depreciation, 5 per cent per annum on \$2,748,669.40..... | 137, 433. 47 |
| Insurance, 2½ per cent per annum on \$2,748,669.40..... | 75, 588. 40 |
| Taxes..... | 12, 400. 00 |
| Advertising..... | 13, 452. 00 |
| Offices and agencies management..... | 57, 812. 00 |
| | <hr/> 416, 935. 87 |

Total gross receipts from all sources.

| | 1902. | 1903. | 1904. |
|---|-------------------|-------------------|-------------------|
| Passengers, freight, mail pay..... | \$1, 364, 159. 63 | \$1, 484, 205. 55 | \$1, 452, 918. 53 |
| Total expenses operation..... | 1, 348, 184. 52 | 1, 436, 390. 53 | 1, 385, 948. 10 |
| Net earnings..... | 15, 975. 11 | 47, 815. 02 | 66, 970. 43 |
| Fixed expenses..... | 416, 935. 87 | 416, 935. 87 | 416, 935. 87 |
| Less net earnings operating account..... | 15, 975. 10 | 47, 815. 02 | 66, 970. 43 |
| Net loss per annum..... | 400, 960. 77 | 369, 120. 85 | 349, 965. 44 |
| Average annual loss for past three years..... | | | 373, 349. 02 |

NOTE.—The above statement of losses applies exclusively to the contract mail service to Australia. The Oceanic Company operates other lines of steamships which are profitable by themselves, but whose profits are absorbed in partially making good the losses on the Australian mail route. After crediting profits from every source to the Australian route, the average annual loss to the company for the past three years has been \$255,397.83.

APPENDIX No. 2.

Total value of imports and exports between British Australasia (Australia, New Zealand, and Tasmania) and the United States, for the fiscal years 1896 to 1904, inclusive.

| Year. | Imports. | Exports. | Year. | Imports. | Exports. |
|-----------|-------------|--------------|-----------|-------------|--------------|
| 1896..... | \$7,579,259 | \$12,674,001 | 1901..... | \$4,767,661 | \$30,577,345 |
| 1897..... | 5,900,144 | 17,366,063 | 1902..... | 5,386,509 | 28,278,015 |
| 1898..... | 5,578,898 | 15,520,987 | 1903..... | 6,968,183 | 32,510,118 |
| 1899..... | 3,502,402 | 19,624,896 | 1904..... | 7,134,408 | 27,401,446 |
| 1900..... | 5,468,196 | 26,583,784 | | | |

Total value of imports and exports between British Australasia (Australia, New Zealand, and Tasmania) and San Francisco, by calendar years 1897 to 1904, inclusive.

| Year. | Imports. | Exports. | Year. | Imports. | Exports. |
|-----------|-----------|-------------|-----------|-----------|-------------|
| 1897..... | \$760,654 | \$2,567,049 | 1901..... | \$763,800 | \$3,991,571 |
| 1898..... | 680,897 | 2,222,331 | 1902..... | 948,371 | 4,241,782 |
| 1899..... | 644,018 | 2,163,714 | 1903..... | 1,386,760 | 4,794,021 |
| 1900..... | 625,459 | 2,226,051 | 1904..... | 943,305 | 3,295,041 |

APPENDIX No. 3.

Wages paid on Orient Pacific Liner "Orizaba," 6,300 tons (British Australasian mail service).

| | Rate per man per month. | Amount of pay per month. | | Rate per man per month. | Amount of pay per month. |
|------------------------------|-------------------------|--------------------------|--------------------------------|-------------------------|--------------------------|
| 1 first mate..... | \$60.00 | \$60.00 | 1 printer..... | 20.00 | \$20.00 |
| 1 second mate..... | 45.00 | 45.00 | 6 general servants..... | 17.50 | 105.00 |
| 1 third mate..... | 40.00 | 40.00 | 27 general servants..... | 15.00 | 405.00 |
| 1 fourth mate..... | 30.00 | 30.00 | 1 general servant..... | 5.00 | 5.00 |
| 1 surgeon..... | 50.00 | 50.00 | 1 general servant..... | 7.50 | 7.50 |
| 1 purser..... | 75.00 | 75.00 | 4 stewardesses..... | 17.50 | 70.00 |
| 1 assistant purser..... | 31.25 | 31.25 | 1 G. S..... | 20.00 | 20.00 |
| 1 carpenter..... | 41.25 | 41.25 | 1 first-class pantryman..... | 25.00 | 25.00 |
| 1 carpenter's mate..... | 25.00 | 25.00 | 1 second-class pantryman..... | 20.00 | 20.00 |
| 1 boatswain..... | 35.00 | 35.00 | 1 chief cook..... | 50.00 | 50.00 |
| 2 boatswain's mates..... | 26.25 | 52.50 | 1 second cook..... | 30.00 | 30.00 |
| 2 masters at arms..... | 26.25 | 52.50 | 1 third cook..... | 20.00 | 20.00 |
| 1 storekeeper..... | 22.50 | 22.50 | 1 vegetable cook..... | 15.00 | 15.00 |
| 24 able seamen..... | 20.00 | 480.00 | 1 scullion..... | 15.00 | 15.00 |
| 4 ordinary seamen..... | 10.00 | 40.00 | 1 steerage cook..... | 25.00 | 25.00 |
| 5 deck boys..... | 5.00 | 25.00 | 1 assistant steerage cook..... | 15.00 | 15.00 |
| 1 chief engineer..... | 105.00 | 105.00 | 1 baker..... | 45.00 | 45.00 |
| 1 second engineer..... | 80.00 | 80.00 | 1 second baker..... | 25.00 | 25.00 |
| 1 third engineer..... | 65.00 | 65.00 | 1 third baker..... | 15.00 | 15.00 |
| 1 fourth engineer..... | 55.00 | 55.00 | 1 butcher..... | 30.00 | 30.00 |
| 1 fifth engineer..... | 50.00 | 50.00 | 1 assistant butcher..... | 15.00 | 15.00 |
| 1 sixth engineer..... | 45.00 | 45.00 | 1 F'serang..... | 12.96 | 12.96 |
| 1 seventh engineer..... | 52.50 | 52.50 | 1 first tindal..... | 9.07 | 9.07 |
| 1 eighth engineer..... | 60.00 | 60.00 | 1 second tindal..... | 8.42 | 8.42 |
| 1 electrician..... | 50.00 | 50.00 | 1 third tindal..... | 7.97 | 7.97 |
| 1 tenth engineer..... | 50.00 | 50.00 | 1 cassub..... | 7.97 | 7.97 |
| 1 winchman..... | 27.50 | 27.50 | 1 donkeyman..... | 7.12 | 7.12 |
| 1 storekeeper..... | 26.25 | 26.25 | 1 second donkeyman..... | 7.12 | 7.12 |
| 4 Lg. firemen..... | 25.00 | 100.00 | 6 greasers..... | 6.48 | 38.88 |
| 1 chief steward..... | 67.50 | 67.50 | 36 firemen..... | 5.50 | 198.00 |
| 1 second steward..... | 40.00 | 40.00 | 1 C. T. serang..... | 8.10 | 8.10 |
| 1 barkeeper..... | 20.00 | 20.00 | 26 trimmers..... | 3.86 | 100.36 |
| 1 assistant barkeeper..... | 15.00 | 15.00 | 2 blandary..... | 6.48 | 12.96 |
| 1 storekeeper..... | 30.00 | 30.00 | 1 topass..... | 4.53 | 4.53 |
| 1 barber..... | .25 | .25 | | | |
| 1 bedroom steward..... | 20.00 | 20.00 | | | |
| 1 saloon waiter..... | 20.00 | 20.00 | | | |
| 1 second saloon steward..... | 25.00 | 25.00 | Total per month..... | | 3,534.96 |
| 1 steerage steward..... | 25.00 | 25.00 | Total per annum..... | | 42,419.52 |

NOTE.—The above monthly pay roll is 45.9 per cent less than the monthly pay roll of the Oceanic Steamship Company's steamer *Sonoma*.

Up to May 1, 1905, the mail subsidy paid by the British Government to the Orient Line was £425,000 per annum. After that date a new contract was made giving \$600,000 per annum, the concessions made by the contractor being the employment of white crews only, and a small increase in speed. The change from mixed crews to all-white men will result in an estimated annual cost to the company of about \$120,000.

APPENDIX No. 4.

Canadian-Australian Steamship Line (Vancouver, British Columbia, to Australasia).

| | Monthly wages paid. | | | Monthly wages paid. | |
|--------------------------|---------------------|--------|------------------------------|---------------------|-------|
| | £ | s. d. | | £ | s. d. |
| First mate..... | 16 | 0 0 | Storekeeper..... | 6 | 0 0 |
| Second mate..... | 13 | 0 0 | Saloon stewardess..... | 4 | 0 0 |
| Second mate (extra)..... | 10 | 0 0 | Second-cabin stewardess..... | 3 | 0 0 |
| Third mate..... | 8 | 0 0 | Second-cabin steward..... | 6 | 0 0 |
| Carpenter..... | 10 | 0 0 | Second-cabin steward..... | 5 | 10 0 |
| Boatswain..... | 8 | 0 0 | Pantryman..... | 5 | 10 0 |
| Lamps..... | 6 | 10 0 | B. R. steward..... | 5 | 0 0 |
| Quartermaster..... | 6 | 15 0 | | 4 | 0 0 |
| A. B..... | 6 | 10 0 | General servants..... | { to 3 0 0 | |
| O. S..... | 3 | 0 0 | | | |
| Boys..... | 1 | 10 0 | Cook..... | 12 | 0 0 |
| Purser..... | 14 | 0 0 | Second cook..... | 7 | 0 0 |
| | 16 | to 0 0 | Ship's cook..... | 7 | 0 0 |
| Steward in charge..... | 14 | 0 0 | Baker..... | 8 | 0 0 |
| Surgeon..... | 10 | 0 0 | Assistant baker..... | 5 | 0 0 |
| Second steward..... | 7 | 0 0 | Butcher..... | 6 | 0 0 |
| | | | Barber..... | 0 | 1 0 |

British mail contract route—Annual subsidy, \$330,000.

Vancouver, British Columbia, via Honolulu and Fiji to Brisbane, Australia, distance 6,698 knots; 12 voyages per annum; speed, 14 knots; subsidy per voyage, \$27,500. Three vessels are employed, ranging in size between 3,000 and 4,000 tons register. This line is closely allied with the Canadian Pacific Railroad, and is bending every effort to divert Australasian trade from the United States to Canada.

| | Wages paid. | | | Wages paid. | |
|----------------------|-------------|-------|-----------------------|-------------|-------|
| | £ | s. d. | | £ | s. d. |
| Chief engineer..... | 27 | 10 0 | Seventh engineer..... | 10 | 0 0 |
| Second engineer..... | 19 | 0 0 | Donkeyman..... | 9 | 10 0 |
| Third engineer..... | 15 | 0 0 | Greasers..... | 8 | 10 0 |
| Fourth engineer..... | 12 | 0 0 | Firemen..... | 8 | 10 0 |
| Fifth engineer..... | 10 | 0 0 | Trimmers..... | 6 | 10 0 |
| Sixth engineer..... | 10 | 0 0 | | | |

The above rate of wages aggregate 25 per cent less than those paid by the Oceanic Steamship Company.

APPENDIX No. 5.

Cost of feeding officers and crew of various steamship lines.

[Figures given are a general average, except where officers and crews are indicated.]

| | Per head per diem. | | Per head per diem. |
|--|--------------------|---|--------------------|
| Oceanic Steamship Co..... | \$0.55 | Atlantic Transport Co..... | \$0.32 |
| New York and Cuba Steamship Co..... | .45 | American Line..... | .35 |
| Mallory Line..... | .42 | Pacific Mail Steamship Co..... | { .50 .11 |
| Red D Line..... | .44 | Union Steamship Co. (English)..... | |
| Clyde Line..... | .40 | New Zealand Steamship Co. (English)..... | .32 |
| Old Dominion Steamship Co..... | .45 | P. and O. Steamship Co., mixed crews..... | .30 |
| Savannah Line..... | .45 | Orient Line, mixed crews..... | .30 |
| Morgan Line..... | .42 | Toyo Kisen Kaisha, Japanese Line..... | { .50 .11 |
| United States and Brazil Steamship Co..... | .40 | | |
| Cunard Line..... | .35 | | |
| White Star Line..... | .35 | | |

a Officers.

b Crew.

The higher cost to the Oceanic Steamship Company is largely due to the crews being all whites and the voyage through the Tropics requiring great liberality in feeding fireroom crews.

APPENDIX No. 6.

Pay rolls.

Details of comparison between cost of operating Oceanic steamships under American wages and wages as paid on the Peninsular and Oriental Steamship Line.

| OCEANIC LINE. | | Monthly. |
|---|--|------------|
| 20 firemen, at \$50 | | \$1,000.00 |
| 24 trimmers, at \$40 | | 960.00 |
| 13 seamen, at \$35 | | 455.00 |
| 25 waiters, at \$25 | | 625.00 |
| <hr/> | | |
| 82 Total | | 3,040.00 |
| 75 others of crew, total wages | | 3,500.00 |
| | | <hr/> |
| | | 6,540.00 |
| P. & O. LINE. | | |
| 20 firemen, at \$7.36 | | 147.20 |
| 24 trimmers, at \$3.84 | | 92.16 |
| 13 seamen, at \$5.76 | | 74.88 |
| 25 waiters, at \$5 | | 125.00 |
| <hr/> | | |
| 82 Total | | 439.24 |
| 20 per cent added for inferiority of lascar firemen and trimmers as compared with white labor | | 47.87 |
| | | <hr/> |
| | | 487.11 |
| 75 others of crew, less 25 per cent for English scale of wages | | 2,625.00 |
| | | <hr/> |
| | | 3,122.11 |
| | | <hr/> |
| Difference per month in favor of British scale | | 3,427.89 |

ANNUAL RESULT.

| | |
|---|--------------|
| American, 3 vessels for 12 months, at \$6,540 per month | \$235,440.00 |
| British, 3 vessels for 12 months, at \$3,112.11 per month | 112,035.96 |
| <hr/> | |
| Difference per year in favor of British and lascar | 123,404.04 |
| Or 52½ per cent less than American. | |

LASCAR CREWS.

The American consul at Hull, England, is the authority for the following table of wages paid by British shipowners to lascar sailors, firemen, etc.:

| | Monthly. | | Monthly. |
|-------------------------|----------|--------------------|----------|
| Foreman | \$12.80 | Bhandaries | \$5.40 |
| Second foreman | 11.20 | Donkeymen | 7.36 |
| Boatswain's mates | 8.96 | Firemen | 7.36 |
| Cassah | 7.04 | Trimmers | 3.84 |
| Wenchmen | 7.04 | Stewards | 19.20 |
| Seamen | 5.12 | Second cooks | 4.80 |
| | to | | |
| | 6.40 | | |

APPENDIX No. 7.

Marine labor unions.

NATIONALITY OF CREWS OF THE OCEANIC STEAMSHIP COMPANY.

Steamships *Sierra*, *Sonoma*, and *Ventura* shipped from July, 1903, to June, 1904, both months inclusive, crews as follows:

Total number in the three steamers, 2,750, of whom 1,024 were American born, 218 were naturalized, 1,508 were not citizens.

The postal law for ocean mail service requires a certain proportion of the crews to be American citizens, and to obtain the proper quota for its vessels it was necessary for the Oceanic Steamship Company to contract with the marine labor unions. A better grade of men are thus obtainable; and it is the object of the marine unions to Americanize their membership, which, in view of the scarcity of American seafaring men, is of transcendent importance. This contract has been in satisfactory operation for several years.

APPENDIX No. 8.

Present mail pay received by the Oceanic Steamship Company.

FROM THE UNITED STATES.

To Sydney via Honolulu, Pago Pago, and Auckland, 17 trips per annum, \$2 per statute mile on outward voyage, approximating yearly \$283,200.

From Pago Pago to San Francisco via Honolulu, \$7,000 per annum, 17 voyages. Domestic mail contract expires June 30, 1906.

FROM NEW ZEALAND GOVERNMENT.

Letters, 7s. 6d. per pound; books, etc., 1s. per pound; newspapers 6s. per pound; 17 trips per annum. Time of voyage, 396 hours. Minimum amount to be paid, £15,000; maximum, £20,000. Expires November 3, 1906.

FROM NEW SOUTH WALES.

Letters, 2s. per pound; for other articles, 4s. per 112 pounds. This latter payment is made under a law enacted by the Australian Commonwealth in September, 1902, and all outward bound vessels are compelled, under heavy penalties, to carry the mails at these rates.

APPENDIX No. 9.

Monthly wages paid to officers and crews on steamships operated under mail contracts with the United States.

[Authorized by act of March 3, 1891.]

| | Oceanic Steamship Co., mail route No. 75, Pacific Ocean. | American Line mail route No. 87, Atlantic Ocean. | Ward Line, mail route No. 70, Atlantic Ocean. |
|---|--|---|---|
| 1 first officer..... | \$125.00 | \$100.00 | \$80.00 |
| 1 second officer..... | 75.00 | 65.00 | 60.00 |
| 1 third officer..... | 55.00 | 50.00 | 45.00 |
| 1 carpenter..... | 50.00 | 40.00 | 40.00 |
| 1 boatswain..... | 40.00 | 30.00 | 30.00 |
| 4 quartermasters..... | 35.00 | 25.25 | 30.00 |
| 13 seamen..... | 35.00 | 25.00 | 25.00 |
| 3 cadets..... | 20.00 | 15 and 10 | 10.00 |
| 1 mess boy..... | 25.00 | 25.00 | 25.00 |
| 3 deck boys..... | 15.00 | None. | 12.00 |
| 1 chief engineer..... | 175.00 | 180.00 | 150.00 |
| 1 first assistant engineer..... | 120.00 | 95.00 | 90.00 |
| 1 second assistant engineer..... | 90.00 | 70.00 | 80.00 |
| 1 third assistant engineer..... | 80.00 | 60.00 | 70.00 |
| 1 fourth assistant engineer..... | 75.00 | 50.00 | None. |
| 1 fifth assistant engineer..... | 70.00 | 50.00 | None. |
| 1 sixth assistant engineer..... | 65.00 | 50.00 | None. |
| 1 electrical engineer..... | 70.00 | 60.00 | None. |
| 1 refrigerating engineer..... | 70.00 | 45.00 | None. |
| 1 assistant refrigerating engineer..... | 60.00 | 40.00 | None. |
| 3 water tenders..... | 60.00 | None. | 45.00 |
| 3 oilers..... | 50.00 | 40.00 | 45.00 |
| 3 oilers..... | 45.00 | 45.00 | 45.00 |
| 1 storekeeper..... | 40.00 | 40.00 | None. |
| 3 cadets..... | 20.00 | 15 and 10 | 10.00 |
| 20 firemen..... | 50.00 | 40.00 | 40.00 |
| 24 coal passers..... | 40.00 | 30.00 | 30.00 |
| 2 mess boys..... | 25.00 | None. | 12.00 |
| 1 chief steward..... | 100.00 | 95.00 | 55.00 |
| 1 second steward..... | 50.00 | 40.00 | 25.00 |
| 1 third steward..... | 40.00 | None. | 25.00 |
| 1 steerage steward..... | 35.00 | 17.50 | 12.00 |
| 3 stewardesses..... | 25.00 | 17.50 | 20.00 |
| 1 chief cook..... | 95.00 | 70.00 | 50.00 |
| 1 second cook..... | 50.00 | 40.00 | 40.00 |
| 1 third cook..... | 40.00 | 35.00 | 35.00 |
| 1 fourth cook..... | 35.00 | 25.00 | 12.00 |
| 1 fifth cook..... | 30.00 | 25.00 | None. |
| 1 sixth cook..... | 25.00 | 25.00 | None. |
| 1 baker..... | 70.00 | 40.00 | 45.00 |
| 1 second baker..... | 50.00 | 25.00 | None. |
| 1 third baker..... | 35.00 | 20.00 | None. |
| 1 butcher..... | 55.00 | 30.00 | None. |
| 1 second butcher..... | 35.00 | 20.00 | None. |
| 1 first pantryman..... | 40.00 | 30.00 | 30.00 |
| 1 second pantryman..... | 35.00 | 30.00 | 25.00 |
| 1 third pantryman..... | 25.00 | 30.00 | 12.00 |
| 1 first messman..... | 30.00 | None. | 25.00 |
| 1 second messman..... | 25.00 | None. | 25.00 |
| 1 third messman..... | 25.00 | None. | 25.00 |
| 1 porter..... | 30.00 | None. | 25.00 |
| 1 saloon watchman..... | 25.00 | 17.50 | None. |
| 1 steerage watchman..... | 20.00 | 17.50 | None. |
| 1 second cabin pantryman..... | 30.00 | 17.50 | None. |
| 1 second cabin storekeeper..... | 50.00 | 30.00 | 12.00 |
| 1 silverman..... | 30.00 | 30.00 | None. |
| 1 printer..... | 30.00 | 25.00 | None. |
| 1 janitor..... | 20.00 | None. | 12.00 |
| 25 waiters..... | 25.00 | 17.50 | 20.00 |
| Purser..... | 125.00 | 87.50 | 70.00 |
| 1 doctor..... | 60.00 | 55.00 | None. |

Oceanic Steamship Company present monthly pay roll, each vessel..... \$6,540.00
 If paid on same schedule as American Line, would be..... 5,009.50
 If paid on same schedule as Ward Line, would be..... 4,922.50

APPENDIX No. 10.

Approximate mail route distances to Australia in nautical miles.

| | |
|---|-------|
| Via Oceanic route, San Francisco to Sydney..... | 7,232 |
| Via Canadian-Australian route, Vancouver, B. C., to Brisbane..... | 6,721 |
| Via Peninsular and Oriental route, Brindisi to Adelaide..... | 7,726 |
| Via Japanese route, Yokohama to Melbourne..... | 6,988 |

NOTE.—Compensation under postal act of March 3, 1891, is paid on basis of statute miles. The route of the Oceanic Steamship Company covers 7,232 nautical or 8,329 statute miles.

APPENDIX No. 11.

Cost of fuel—Pacific coast v. Atlantic coast.

One hundred and two thousand five hundred and eighty-five tons of fuel were consumed during 17 voyages of the Oceanic Steamship Company, steaming on mail route No. 75, during the year 1904.

Difference in quality between the fuel supplied is fully 10 per cent in favor of the Atlantic coast.

| | Tons. | Average cost. | Total cost. |
|---|---------|---------------|-------------|
| Pacific Ocean..... | 102,585 | \$4.57½ | \$469,378 |
| Atlantic Ocean..... | 92,327 | 3.50 | 323,144 |
| Difference in favor of operation on Atlantic..... | 10,258 | | 146,234 |

Owing to the difference in quality of the fuel, vessels on the Pacific Ocean require to carry 10,258 tons more fuel. This means an equivalent loss in freight earning capacity, besides cost of trimming this coal on board.

Assuming the freight space so lost to be valued at \$2.50 per ton, we find a loss in the yearly revenue of \$25,645.

Cost of trimming the extra quantity of coal.—Ten thousand two hundred and fifty-eight tons, at 25 cents per ton, \$2,564.50.

LOSS.

Net loss of operating on the Pacific Ocean as against the Atlantic Ocean:

| | |
|---------------------------------------|-----------|
| Difference in total cost of fuel..... | \$146,234 |
| Loss in freight space..... | 25,645 |
| Cost of trimming..... | 2,564 |

174,443

APPENDIX No. 12.

American steamship Sonoma v. Japanese steamship America Maru.

SONOMA, BETWEEN SAN FRANCISCO AND AUSTRALIA.

[Gross tonnage, 6,200 tons.]

| Number of men. | Rating (all-American crew). | United States gold. | |
|----------------|------------------------------------|-------------------------|--------------------------|
| | | Rate per man per month. | Amount of pay per month. |
| | Officers: | | |
| 1 | First officer..... | | \$125.00 |
| 1 | Chief engineer..... | | 175.00 |
| 1 | Purser..... | | 125.00 |
| 1 | Doctor..... | | 60.00 |
| | Mate's department: | | |
| 1 | Second officer..... | | 75.00 |
| 1 | Third officer..... | | 55.00 |
| 1 | Carpenter..... | | 50.00 |
| 1 | Boatswain..... | | 40.00 |
| 4 | Quartermasters..... | \$35.00 | 140.00 |
| 13 | Seamen..... | 35.00 | 445.00 |
| 3 | Cadets..... | 20.00 | 60.00 |
| 1 | Messboy..... | | 25.00 |
| 3 | Deckboys..... | 15.00 | 45.00 |
| | Engineer's department: | | |
| 1 | First assistant engineer..... | | 120.00 |
| 1 | Second assistant engineer..... | | 90.00 |
| 1 | Third assistant engineer..... | | 80.00 |
| 1 | Fourth assistant engineer..... | | 75.00 |
| 1 | Fifth assistant engineer..... | | 70.00 |
| 1 | Sixth assistant engineer..... | | 65.00 |
| 1 | Electrical engineer..... | | 70.00 |
| 1 | Refrigerating engineer..... | | 70.00 |
| 1 | Second refrigerating engineer..... | | 60.00 |
| 3 | Water tenders..... | 60.00 | 180.00 |
| 3 | Oilers..... | 50.00 | 150.00 |
| 3 | do..... | 45.00 | 135.00 |
| 1 | Storekeeper..... | | 40.00 |
| 3 | Cadets..... | 20.00 | 60.00 |
| 20 | Firemen..... | 50.00 | 1,000.00 |
| 24 | Coal passers..... | 40.00 | \$60.00 |
| 2 | Mess boys..... | 25.00 | 50.00 |
| | Stewards' department: | | |
| 1 | Chief steward..... | | 100.00 |
| 1 | Second steward..... | | 50.00 |
| 1 | Second-cabin steward..... | | 40.00 |
| 1 | Steerage steward..... | | 35.00 |
| 3 | Stewardesses..... | 25.00 | 75.00 |
| 1 | First cook..... | | 75.00 |
| 1 | Second cook..... | | 50.00 |
| 1 | Third cook..... | | 40.00 |
| 1 | Fourth cook..... | | 35.00 |
| 1 | Fifth cook..... | | 30.00 |
| 1 | Sixth cook..... | | 25.00 |
| 1 | First baker..... | | 70.00 |
| 1 | Second baker..... | | 50.00 |
| 1 | Third baker..... | | 35.00 |
| 1 | First butcher..... | | 55.00 |
| 1 | Second butcher..... | | 35.00 |
| 1 | First pantryman..... | | 40.00 |
| 1 | Second pantryman..... | | 30.00 |
| 1 | Third pantryman..... | | 25.00 |
| 1 | Porter..... | | 30.00 |
| 1 | First messman..... | | 30.00 |
| 1 | Second messman..... | | 25.00 |
| 1 | Third messman..... | | 25.00 |
| 1 | Saloon watchman..... | | 25.00 |
| 1 | Steerage watchman..... | | 20.00 |
| 1 | Second cabin pantryman..... | | 30.00 |
| 1 | Storekeeper..... | | 50.00 |
| 1 | Silverman..... | | 30.00 |
| 1 | Printer..... | | 30.00 |
| 1 | Janitor..... | | 20.00 |
| 25 | Walters..... | 25.00 | 625.00 |
| 157 | Total per month..... | | 6,540.00 |
| | Total per annum..... | | 78,480.00 |

"AMERICA MARU," JAPANESE LINE BETWEEN SAN FRANCISCO AND HONGKONG.
[Gross tonnage, 6,307 tons.]

| Number of men. | Rating. | European or Asiatic. | Equivalent in U. S. gold. | |
|----------------|-----------------------------------|----------------------|--|--------------------------|
| | | | Rate per man per month. | Amount of pay per month. |
| | Saloon officers: | | | |
| 1 | First officer..... | European..... | | \$100.00 |
| 1 | Chief engineer..... | do..... | | 150.00 |
| 1 | Purser..... | do..... | | 100.00 |
| 1 | Surgeon..... | do..... | | 60.00 |
| 1 | Freight clerk..... | do..... | | 75.00 |
| | Deck department: | | | |
| 1 | Second officer..... | Asiatic..... | | 55.00 |
| 1 | Third officer..... | do..... | | 40.00 |
| 1 | Fourth officer..... | do..... | | 15.00 |
| 1 | Junior officer..... | do..... | | 7.50 |
| 2 | Do..... | do..... | \$6.50 | 13.00 |
| 1 | Carpenter..... | do..... | | 15.00 |
| 1 | Carpenter's mate..... | do..... | | 11.50 |
| 6 | Quartermasters..... | do..... | { 4 at 11.00 2 at 10.00 } | 64.00 |
| 1 | Boatswain..... | do..... | | 15.00 |
| 1 | No. 2 boatswain..... | do..... | | 11.75 |
| 2 | Deck engineers..... | do..... | 10.50 | 21.00 |
| 26 | Seamen..... | do..... | { 6 at 6.75 8 at 7.25 6 at 8.25 6 at 8.75 } | 200.50 |
| 1 | Mess boy..... | do..... | | 2.50 |
| 1 | Storekeeper..... | do..... | | 10.25 |
| 1 | Lamp trimmer..... | do..... | | 9.75 |
| | Engineer's department: | | | |
| 1 | First assistant engineer..... | European..... | | 75.00 |
| 1 | Second assistant engineer..... | Asiatic..... | | 65.00 |
| 1 | Third assistant engineer..... | do..... | | 55.00 |
| 4 | Junior engineers..... | do..... | { 1 at 45.00 1 at 35.00 1 at 30.00 1 at 10.00 } | 120.00 |
| 1 | Electrician..... | do..... | | 25.00 |
| 12 | Oilers..... | do..... | { 1 at 15.00 1 at 12.00 10 at 10.50 } | 132.00 |
| 12 | No. 1 firemen..... | do..... | 9.00 | 108.00 |
| 16 | Firemen..... | do..... | 8.50 | 136.00 |
| 16 | Coal passers..... | do..... | { 5 at 7.50 11 at 7.00 } | 114.50 |
| 2 | Mess boys..... | do..... | 2.50 | 5.00 |
| 1 | Storekeeper..... | do..... | | 10.50 |
| 1 | Boiler maker..... | do..... | | 20.00 |
| | Purser's department: | | | |
| 2 | Assistant freight clerks..... | do..... | { 1 at 25.00 1 at 12.50 } | 37.50 |
| 1 | Storekeeper..... | do..... | | 25.00 |
| 1 | Steward..... | European..... | | 90.00 |
| 1 | Steerage steward..... | Asiatic..... | | 17.50 |
| 1 | Stewardess..... | European..... | | 20.00 |
| 1 | Baker..... | Asiatic..... | | 20.00 |
| 1 | Second baker..... | do..... | | 7.50 |
| 1 | Butcher..... | do..... | | 25.00 |
| 1 | Second butcher..... | do..... | | 2.50 |
| 1 | Pantry man..... | do..... | | 15.00 |
| 1 | Second pantry man..... | do..... | | 7.50 |
| 1 | First cook, after galley..... | do..... | | 22.50 |
| 1 | Second cook, after galley..... | do..... | | 17.50 |
| 1 | Third cook, after galley..... | do..... | | 7.50 |
| 1 | First cook, forward galley..... | do..... | | 8.50 |
| 2 | Second cooks, forward galley..... | do..... | 7.50 | 15.00 |
| 2 | Third cooks, forward galley..... | do..... | 6.50 | 13.00 |
| 1 | Fourth cook, forward galley..... | do..... | | 6.00 |
| 1 | Cook, steerage..... | do..... | | 17.50 |
| 1 | Do..... | do..... | | 12.50 |
| 1 | Saloon watchman..... | do..... | | 12.50 |
| 1 | Steerage watchman..... | do..... | | 10.00 |
| 5 | Steerage waiters..... | do..... | { 3 at 7.50 2 at 6.50 } | 35.50 |
| 2 | Officer's mess men..... | do..... | 2.50 | 5.00 |
| 24 | Cabin waiters..... | do..... | 7.50 | 180.00 |
| 1 | No. 1 waiter..... | do..... | | 17.50 |
| 1 | Barkeeper..... | do..... | | 10.00 |
| 1 | Scullery man..... | do..... | | 7.50 |
| 1 | Chow boy..... | do..... | | .25 |
| 180 | Total per month..... | | | 2,509.00 |
| | Total per annum..... | | | 30,108.00 |

Excess of cost of wages per annum to American steamship, \$48,372.

STATEMENT OF H. M. WRIGHT, ESQ., OF SAN FRANCISCO, CAL.

Mr. GOULDEN. Give your business, Mr. Wright, please.

Mr. WRIGHT. I appear before the committee as the attorney for the Port Blakeley Mill Company, of Puget Sound and San Francisco; for Hobbs, Wall & Co., and the Redwood Milling Company, of Crescent City and San Francisco, Cal.

My remarks to the committee will be simply by way of preface to matter which will be given you by the rest of this delegation. We are a delegation. The serious import of this question to the Pacific coast has presented itself to us with such force that we have here in this room before you representatives of not only all of the most important lumber mills of that coast, but, by singular good fortune on our part, we also have before you (and I think he will address you) Mr. Dorr, of the Alaska Packers' Association, the owners of the largest fleet of vessels carrying the American flag.

Now, gentlemen, we do not appear before you to present the question of ship subsidies in general; we shall confine ourselves to certain desired amendments of the bill—amendments of vital interest to the Pacific coast.

One amendment which I had considered bringing to the attention of the committee is one which would occur to any lawyer on the committee, and I am happy to be told that it has occurred to some. That is in that particular section of the act which states—it is in section 2—that the subventions provided here shall apply to vessels engaged exclusively as common carriers for the service of the public.

Mr. HUMPHREY. What line and page is that?

Mr. WRIGHT. That is page 4, lines 3 and 4. On the face of it, gentlemen, it does not apply to the vessels engaged in the deep-sea fisheries; and we fear that it might strike at the ships employed, for example, in the lumber trade. They do not belong to any lines. They are chartered ships, engaged for the particular voyage. They are not common carriers, therefore; and I take it that it is the intent of this committee and of this bill to build up not only lines of steamers, but tramp steamers and ships.

Now, gentlemen, I shall do no more than state the amendments which we shall propose. I have not framed them. It would possibly be well to frame up the amendments and present them for the consideration of the committee; but I will give the idea of them now. They are two in number. One will be to take away the benefits of this act from vessels engaged in trade between the ports of the Dominion of Canada on the Pacific Ocean; the other will be to extend the benefits of the act to vessels engaged in what I may term the intercoast traffic, that is, the traffic between the ports on the Atlantic coast and the ports on the Pacific coast.

The CHAIRMAN. That is our coastwise commerce, is it not?

Mr. WRIGHT. Yes; it is coastwise commerce, and foreign vessels can not enter on it.

The CHAIRMAN. If you will allow me to make a suggestion to you, section 2, on page 4, undertakes to state to what vessels this provision shall apply, "including as such citizens any corporations created under the laws of the United States or any of the States thereof engaged exclusively as a common carrier for the service of the public." Now, then, it at once defines what is meant by that language: "That is to

say, the sum of \$5 per gross registered ton for each vessel which has been engaged in the foreign trade by sea"—that covers your lumber ships and tramp ships and every form of ship—"or the deep-sea fisheries." The words "that is to say" define the meaning of the prior language of the bill.

Mr. WRIGHT. Of course that only meets my first suggested amendment—that is, that the words "common carrier" are unfortunate. I should say that the good intended by the bill would be reached just as well if you left out the word "common."

The CHAIRMAN. A tramp ship is a common carrier, under the decisions of our courts, just as well as a liner.

Mr. WRIGHT. Yes; but I take it that a ship that is chartered for a particular voyage by one shipper would not be a common carrier.

The CHAIRMAN. I differ with you entirely.

Mr. WRIGHT. At all events, that matter is less important than the other.

Mr. HUMPHREY. That was the point that you were making—that under the language of the bill a vessel carrying a cargo for a single party would not be a common carrier?

Mr. WRIGHT. That is my point.

Mr. GOULDEN. And that particularly applies to the carrying of lumber?

Mr. WRIGHT. Yes; and to a great many other things.

Mr. GOULDEN. Especially, though, to lumber?

Mr. WRIGHT. Yes, sir. But in addition to that, gentlemen, my successors in this presentation will show you that the coastwise traffic between the Atlantic and Pacific coasts practically does not exist; it can not exist under present conditions, and we need that it shall exist.

Now, gentlemen, you will remember that the coastwise laws—that is, the laws which confine the coastwise business of the United States to American vessels—began first with the tonnage duties in 1789. The present coastwise law is an amendment of the act of March 1, 1817. At those times the conditions which we have now patently did not exist. There was no Pacific coast of the United States. For all practical purposes you will see, gentlemen, that the voyage from the Pacific coast to the Atlantic, covering a distance of 16,000 miles, is a foreign voyage.

Now there is no reason in common sense why the benefits of the act should not be extended to such a voyage as well to a voyage of 16,000 miles to some port in Europe. But I desire to go farther than that, gentlemen, beyond the mere reasonableness of the thing, and to show that the distinction between the ordinary coastwise trade and what I have called the intercoast trade has been many times recognized by Congress.

Mr. HINSHAW. You mean that there should be some subventions given for lines running from the Pacific to the Atlantic coast and back again?

Mr. WRIGHT. And vice versa; yes, sir.

Mr. HINSHAW. Whether they touch at ports in South America or not?

Mr. WRIGHT. Yes, sir; irrespective of that, because here is the situation which we desire to develop: The cargo trade in pine and redwood between the west coast of the United States and the Atlantic

coast is practically in its infancy. We can lay down timbers and woods that you can not get here, that you need here, that we can put in here at a cheaper rate than they can now be supplied; but we can not do that without bottoms, and we have not the bottoms now.

Now, gentlemen, I stated to you that the Congress has recognized in legislation hitherto the distinction to which I have drawn your attention. I will cite you first to the twelfth and thirteenth sections of the tariff law of 1897. You are undoubtedly familiar with it. It reads as follows:

"Section 12. That all materials of foreign production which may be necessary for the construction of vessels built in the United States for a foreign account and ownership, or for the purpose of being employed in the foreign trade, including the trade between the Atlantic and Pacific ports of the United States, may be imported in bond, and upon proof that such materials have been so used," the duty is remitted. And section 13 refers to articles needed for repair purposes.

The same thing is found all through the shipping law and the law with regard to merchant seamen. For instance, Section 4504 of the Revised Statutes, with regard to the duties of shipping commissioners, uses this language:

Nothing in this title, however, shall prevent the owner or consignee or master of any vessel except vessels bound from a port in the United States to any foreign port, other than vessels engaged in trade between the United States and the British North American possessions or the West India islands or the Republic of Mexico, and vessels of a burden of seventy-five tons or upwards bound from a port on the Atlantic to a port on the Pacific, or vice versa, from performing the duties of shipping commissioner.

And similarly the act of June 9, 1874, Chapter 260, Eighteenth Statutes at large, 64, in which it is stated generally that vessels in the coastwise trade are exempt from the provisions of the shipping commissioners' act, with certain exceptions; and among those exceptions are the foreign trade and the intercoast trade.

So we have in section 4511 of the Revised Statutes, which deals with shipping articles, the provision that—

the master of every vessel bound from a port in the United States to any foreign port, other than vessels engaged in trade between the United States and the British North American possessions or the West India islands or the Republic of Mexico, or of any vessel of a burden of seventy-five tons or upward bound from a port on the Atlantic to a port on the Pacific, or vice versa,

shall make agreements of certain character.

So, also, section 4520 is to similar effect. We see it also in the act of December 21, 1898, chapter 28, Thirtieth Statutes at Large, 755, which deals with legislation regarding allotments of pay. In the section forbidding allotments generally in the coastwise trade in section 10, subparagraph C, the trade between the two coasts is classed with the foreign trade, as follows:

That it shall be lawful for any seaman engaged in a vessel bound from a port on the Atlantic to a port on the Pacific, or vice versa, or in a vessel engaged in the foreign trade, except trade between the United States and the Dominion of Canada or Newfoundland or the West Indies or the Republic of Mexico, to stipulate in his shipping agreement for an allotment of a certain amount to his creditors—

and so on.

The legislation that we ask, therefore, not only presents a well-founded distinction in the reason of things between ordinary coastwise traffic from port to port on a particular coast, and the extraordinary coastwise traffic around Cape Horn, but the same distinction

has been observed and made law on numerous occasions before. On that basis we feel that what we ask and what the gentlemen who follow me will present to you is no new thing.

Mr. SPIGHT. Mr. Wright, I understand your main contention to be, then, that this bill ought to be so amended as to extend the subsidy feature to vessels that are now engaged in the coastwise trade proper between Atlantic and Pacific ports?

Mr. WRIGHT. Yes, sir; and in addition——

Mr. SPIGHT. Although all foreign vessels are excluded from that trade?

Mr. WRIGHT. Yes; and, in addition to that, to take it away from vessels trading between the British provinces of the Dominion of Canada on the Pacific coast and American ports.

SUPPLEMENTARY STATEMENT OF MR. H. M. WRIGHT.

WASHINGTON, D. C., April 18, 1906.

HON. CHAS. H. GROSVENOR, *Chairman,*
Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.

SIR: In pursuance of your suggestion to embody in this form a succinct statement of the remarks made by me in behalf of the Pacific-coast delegation of merchants with reference to Senate bill 529, entitled "An act to promote the national defense, to create a naval reserve, to establish American ocean mail lines to foreign markets, and to promote commerce," we have the honor to submit the following:

We concur heartily in the policy of the bill. We do not concur in the bill in its present form.

The amendments which we urge upon you are two in number, namely:

1. We think it essential that the subvention provided in this act shall not be extended to vessels engaging in trade to and from ports of British North America on the Pacific Ocean and all ports of the United States.

2. We regard it as essential that the subventions contemplated by this act be extended to American vessels employed in the trade by sea, via Cape Horn and the Straits of Magellan, between the Atlantic and Pacific ports of the United States.

The idea embodied in the second amendment above stated is no innovation. It is true that under section 4347 of the Revised Statutes as amended by the acts of February 15, 1893, and February 17, 1898, trade between ports of the United States by sea is particularly restricted to American vessels. It is true also that the policy embodied in this statute is nearly as old as the Republic. In 1789 the encroachment of British vessels in the American coastwise trade was recognized and prevented by the imposition of discriminating tonnage dues. The present embodiment of this principle in the form of a prohibition of the use of foreign vessels in coastwise trade dates from the act of March 1, 1817. Nevertheless, while this is the historic policy of the country, it must be remembered that at that time the coastwise traffic of the United States referred only to ports bordering on the Atlantic Ocean. The Pacific coast, as a possession of

the United States, did not exist, nor did the difficulties exist which are incident to this traffic, which may be denominated intercoast traffic as distinguished from coastwise traffic.

Now, while it is thus true that the so-called coastwise law embodied in the statutes above cited, in terms embraces a voyage to and from a port on the Atlantic and a port on the Pacific coast, nevertheless the distinction between this intercoast traffic and ordinary coastwise business has been recognized and embodied in the laws of the United States in numerous instances. For this reason we say that the amendment we propose is not an innovation. Such intercoast shipments have always been recognized in these laws (as they are in fact) as partaking of the character of voyages in foreign trade which it is the announced policy of this act to foster.

In proof of this assertion we refer the committee first to section 12 of the tariff law of 1897 as follows:

That all material of foreign production which may be necessary for the construction of vessels built in the United States for foreign account and ownership or for the purpose of being employed in the foreign trade, including the trade between the Atlantic and Pacific ports of the United States, * * * may be imported in bond * * * and on proof that such materials have been used for such purposes no duties shall be paid thereon * * *

Section 13, limited to articles needed for repairs, is substantially identical.

Here we have a distinct classification of the trade between the Atlantic and Pacific ports of the United States with the trade to foreign countries. Such discrimination between this character of coastwise trade and the ordinary coastwise trade has certainly some foundation in the wisdom of Congress, and the same distinction is applicable at the present moment.

We refer the committee next to section 4504 of the Revised Statutes of the United States referring to the shipment of seamen. The wording in part is as follows: "Nothing in this title, however, shall prevent the owner or consignee or master of any vessel, except vessels bound from a port in the United States to any foreign port, other than vessels engaged in trade between the United States and the British North American possessions or the West India Islands, or the Republic of Mexico, and vessels of the burden of 75 tons or upward, bound from a port on the Atlantic to a port on the Pacific, or vice versa," from performing the duties of shipping commissioners. Here again we find a classification of intercoast traffic with foreign trade.

To similar effect is the act of June 9, 1874, chapter 260, Eighteenth Statutes at Large, 64, to the effect that vessels in the coastwise trade are exempt from the provisions of the shipping commissioners act, with certain exceptions, including foreign trade and the trade between the ports of the Atlantic and the ports of the Pacific Ocean.

Again, in section 4511 of the Revised Statutes, relating to shipping articles, the language of the statute reads as follows: "The master of every vessel bound from a port in the United States to any foreign port other than vessels engaged in trade between the United States and the British North American possessions or the West India Islands, or the Republic of Mexico, or of any vessels of the burden of 75 tons or upward, bound from a port on the Atlantic to a port on the Pacific, or vice versa," shall, etc., make with

their seamen shipping agreements containing certain terms and conditions therein laid down. To similar effect see section 4520 of the Revised Statutes.

We see again a classification of the intercoast trade with the foreign trade and not with the coastwise trade in the act of December 21, 1898, chapter 28, Thirtieth Statutes at Large, 755, relating to the allotment of seamen's pay. Section 10 (C) reads as follows: "That it shall be lawful for any seaman engaged in a vessel bound from a port on the Atlantic to a port on the Pacific, or vice versa, or in a vessel engaged in foreign trade, except trade between the United States and the Dominion of Canada, or Newfoundland, or the West Indies, or the Republic of Mexico, to stipulate in his shipping agreement for an allotment" of a certain amount of his pay for the benefit of any creditor. Respecting the strictly coastwise business this same act contains a different provision.

We have here again a legislative recognition of the fact that for all practical purposes a voyage between the coasts is a foreign voyage.

Doubtless many other provisions of the Revised Statutes could be cited to similar effect. This brief review, however, demonstrates conclusively that the legislation of Congress in the past has recognized the necessity of applying different considerations in this class of trade from the ordinary coastwise trade.

We repeat, therefore, that we present no provision in this amendment unusual to the existing laws upon the subject of navigation.

The amendments may be framed as follows:

(1) Page 4, line 8, after the words "by sea," insert: "or in trade by sea between the Atlantic and Pacific ports of the United States, or vice versa."

(2) Page 4, line 14, same insertion.

(3) Page 4, line 20, same insertion.

(4) Page 5, line 5, insert, after words "United States" in each case as they occur in line 5, the words, "on the Atlantic Ocean." After last insertion insert also "or from one port of the United States on the Pacific Ocean to another port of the United States on the Pacific Ocean."

(5) Page 5, line 16, insert the following:

"(d) A vessel for a voyage to or from ports of the British North American possessions on the Pacific Ocean from or to ports of the United States."

(6) Page 7, line 16, after word "trade," insert: "or in the intercoast trade."

(7) Page 8, line 7, insert after word "trade" the following: "or in the trade by sea between the Atlantic and Pacific ports of the United States, or vice versa."

(8) Page 14, line 16, after word "voyage," insert words: "or voyage between Atlantic and Pacific ports of the United States, or vice versa."

Respectfully submitted.

H. M. WRIGHT,
*Attorney for Port Blakely Mill Company
and for Hobbs, Wall & Company.*

**STATEMENT OF D. E. SKINNER, ESQ., PRESIDENT OF THE PORT
BLAKELY MILL COMPANY, OF SAN FRANCISCO, CAL.**

Mr. SKINNER (after an informal discussion as to the time to be allotted to each speaker). I wish to thank you for the opportunity of speaking to you, gentlemen; but at the same time I wish to say that it is almost impossible for a man who steps out of an office and appears before your committee here in advocating a matter of this kind to be figuring all the while that he is to be limited to a certain number of minutes or seconds, and to have that in mind all the time.

The CHAIRMAN. You can add to your remarks anything you wish to write out before they are printed.

Mr. SKINNER. I am very much obliged to you. I should like to say, also, in that connection, that we have back of us a history of fifty years in connection with the manufacturing of lumber and shipping interests, the most extensive production of lumber of any single property in the world, and probably the largest export trade of any company in the world.

I think that I can best bring this matter before the committee as promptly and as concretely as possible by submitting the form of the amendments which we request. I will not try to talk at all upon the question of the subsidy bill itself, except as naturally in talking about the amendments we propose I will have to trench somewhat upon that.

The first amendment we request is that the subsidy be made to apply to American vessels plying to and from American ports on the Atlantic and Pacific oceans, or around the Horn until the Panama Canal is completed; and I wish you to understand that "around the Horn" is underscored.

The second amendment we request is that the subsidy be not applied to tonnage plying between British Columbia ports and ports of the United States.

In the first place I will try to show you, if I can, the justification of our position, and in the next place its vital necessity.

It seems to me, so far as I can find out from the history of the Republic, that in both municipal, county, State, and national legislation it has recognized the necessity of subsidizing means of transportation to overcome the distances between the territory that we have to transport our material. Canals have been built, principally from New York, for instance, as a means of regulation of freight rates, as a means of cheaper transportation. I have never known that people in the State of New York considered it anything but a nonpartisan measure to fortify and foster their canal. No man has any idea, unless he has traveled across the country, what the distance is that we have to cover, and what the obstacles are that we have to overcome.

Up to date there have only been practically six transcontinental lines built, and it seems only feasible for them to have found, at present, about twelve passes through the mountains that are practicable for railway transportation. The railways to-day are inadequate to handle our commodities. We know this, because we can prove that at the present time there are thousands of carloads of material loaded and stranded west of the Rocky Mountains because of the

inability of the roads to handle them, from the lack of locomotive power. I know that within the past month the Northern Pacific road has turned over carloads of material to the Great Northern road and asked them to carry it in their own cars, without any revenue to themselves, to relieve that congestion.

I want to say that in the consideration of our interests (although I may and probably will naturally talk more along the line of our lumber interests than anything else) I wish you to keep in mind, if you will kindly do so, that our proposition involves every interest on the coast. It does not make any difference whether it is green fruit, or lumber, or coal, or dried fruit, or whatever it may be, it is just as important to the shipper as it is to the consumer on the east coast, because any facilities that we can receive that will enable us to deliver our material more cheaply to the consumer on the east coast will be of so much benefit to him. It is not a new thing for a subsidy to be paid by the Government or by the people to cheapen the means of transportation and to shorten the distance between the Territories of the United States and the States; and this subsidy, we think, is especially needed. We think there is nothing in the laws of the United States, as passed, to which it is at all inimical.

As Mr. Wright has tried to show you, every law that has been passed has recognized the distinction between the strictly coastwise business and that around the Horn. We think that the application of the word "coastwise" to this trade is a misnomer. The prohibition of the use of foreign tonnage between the two coasts has practically annihilated the trade. Since the clipper ships' time there have been practically no vessels plying around the Horn. Occasionally we get a few vessels that are sent out to Manila or sent to Hongkong. To-day there are not over five or six vessels plying from the Atlantic to the Pacific oceans.

We have chartered within the last six months every vessel in sight, and we have only secured 11, and six of those are to be sent around the Horn to be sold as coal hulks, because they can not afford to return in ballast.

The subsidy, as the bill is written to-day, would remove the small amount of tonnage that we have that is available, because the law of cause and effect is bound to operate in every way. You can not legislate against it. If the owner of a vessel can secure a subsidy by plying from Hongkong to New York, he certainly will not come to Puget Sound and take the carrying of lumber without a subsidy. The result is that if the subsidy is enacted as it is at present proposed, it will have the retroactive effect of taking what small amount of tonnage we have away from us.

There is practically no American tonnage to-day available, and if there is no subsidy applied between the two coasts around the Horn, what little there may be of American tonnage will be taken away from us.

It seems to us that, without any question at all, the Panama Canal has been built for this very same purpose, and I understand that it has been a nonpartisan measure entirely. As we understand it, it is to facilitate traffic between the two coasts and between the two oceans.

In my estimation and in my humble opinion the most harmful legislation to the Pacific coast that has ever been enacted would be

the building of the canal without the privilege of bottoms to put through it. And I say to you to-day, gentlemen, that if the canal were completed to-day, and you prohibit, as you have, the use of foreign bottoms between the two coasts, and do not allow us a chance to build American bottoms to ply through the canal you are sure sidizing the foreigner; you are absolutely depriving the Pacific coast of any opportunities at all for any of that canal traffic; and you will take away from the Pacific coast the natural tonnage which to-day runs via the transcontinental lines through the San Francisco outlet to the Orient. It will be shipped from the East to the Orient, and from the Orient back to the East, and miss the Pacific coast entirely; and the only coast traffic that will ply will be that in the Northern States which can not afford to be accumulated or assembled in the Gulf ports and on the east coast of the United States for transshipment by steamer through the canal.

We must have relief. If this bill is adopted we believe that by the time the canal is built we will have sufficient American tonnage built to carry our traffic. If there is no American tonnage built, if there is no more than there is to-day, we will have none. The result will be that we will simply be stranded.

The rate measure undoubtedly is going to pass in some form. The greatest menace, I believe, to anyone in the United States contained in the rate measure will be to the Pacific coast because of the distance. There is little doubt in our minds that when the rate measure does pass the most important feature connected with it that will have to be considered will be the question as to the distance tariff. We have only 5 per cent of the population of the United States west of the Rockies, and there are 95 per cent on the east. We can not consume proportionately what we can produce. We can produce almost enough, I presume, to supply the consuming trade of the United States; but we can not consume any more than our proportion of the population.

The distance naturally will have to feel the effect of any stringency, any change in rates. In other words, the railroads claim (and I believe they are truthful in this statement) that their money is made from the short haul and not from the through haul, the long haul. If the railroads are confronted with the alternative of decreasing their short-haul rates or increasing the long-haul rates, the through-haul rates, they will have to increase the long-haul rates.

The only possible chance for us, then, is the natural outlet by water. There is no one on earth who can control or monopolize the right of way on the ocean. That competition is what we need, and what we must have; and I believe that the only hope the Pacific coast has, and the only hope that the east coast has, of receiving their products at reasonable rates is by water.

Let me give you a concrete illustration: The present rate from Seattle on lumber to New York is 70 cents by rail. The charters that we have been able to make by water are for about 50 cents a hundred. We can carry that stuff around the Horn to New York at 50 cents. The rate from Buffalo to Seattle is 63 cents, we will say. We can distribute our material through the ports on the east coast as far west as the difference between the water rate we can get and the rail rate at present. There is no telling what the rail rate may have to be in a few years from now. That will enable us to cover practically all of

the east coast States to the western terminals of the railroads. All of the business that is carried by the transcontinental lines to the interior, to Chicago, for instance, will have to be carried by the western lines anyway, and consequently they are not interested. The east coast lines will get just as much or more of the revenue for carrying from the port to their western terminal, like Buffalo or Pittsburg, as they would from the through route from Seattle to New York. The advantage, I think, is perfectly evident to anyone.

The only railroads which will be interested in this matter at all as a matter of competition are the intermediate lines between Chicago and Buffalo.

We have found from experience that the greatest regulator of rates is competition. It is unfair, unreasonable, unwarranted for our legislators to say, "You can not have the opportunity that you are entitled to to ship by the cheapest means possible, and consequently you will have to be forced back upon the railroads," which we say to-day (disregarding their old oppressive methods, which we will forget) are inadequate to carry the material. And one reason why we can not live under the present conditions and carry the stuff around the Horn is just as evident to you without any argument at all as that the American merchant marine has been driven off the sea, because the foreign vessel can ply between Vancouver, British Columbia, with the same product that we carry around the Horn, with the same difference in cost of build and equipment and cost of wages and all.

That is the reason that to-day there is only one line, and for years there has been only one line operating around there, and that is the American-Hawaiian Line, under contract for carrying sugar from Honolulu, and they will not participate in this benefit because they desert the trip around the Horn this year for a contract for shipment across the Tehuantepec route.

If it is feasible and sensible and reasonable to apply this subsidy to a vessel plying between the Pacific coast or the Atlantic coast and a foreign country, it certainly is just as reasonable and sensible and merits as much consideration to have that subsidy apply on a voyage 16,000 miles in length, three-quarters of it, yes, 85 per cent of it, in foreign waters around the Horn, where the vessel meets the very same competition and is under exactly the same disability as if it goes to a foreign port.

Mr. HINSHAW. Could you ship more cheaply by the Tehuantepec route than you can around the Horn?

Mr. SKINNER. We could not handle our stuff by the Tehuantepec route. It is absolutely impossible to transfer such heavy material as that. You would have to have derricks to handle it.

The CHAIRMAN. If you will allow me, at that point I would like to ask you to consider one proposition, Mr. Skinner. Under the coastwise laws of the United States we are told (and I have no reason to doubt it) that we have built up the largest coastwise merchant marine of any country in the world, and that freight rates are very low in this protected traffic. Now, do you expect a subsidy to be given to a coastwise ship and yet have her retain the protection that is afforded her by the coastwise laws of the United States?

Mr. SKINNER. I might answer that question, Mr. Chairman, by saying that history proves that up and down——

The CHAIRMAN. That is not quite an answer.

Mr. SKINNER. I am going to answer. I will try to explain my position, if you will allow me. Up and down each coast of the Pacific coast and the east coast we have a sufficient amount of tonnage in American bottoms to carry all the commodities that are offered to be carried, and they are now carried, as I know from an interest I have in 27 vessels, at only a fair remuneration to the owners. I will also say right here that I will not get a dollar's worth of this subsidy, because only a few of the ships we have are able to ply off-shore, and those that are are too old to come within the classification. But, as I say, we have been able to create by the coastwise laws enough American tonnage to carry the American commodities on the coasts with only fair remuneration to the shipowners. On the other hand, this prohibition of the use of tonnage around the Horn, where the vessels have to meet the exact competition which is driving them off the seas elsewhere, has annihilated the coastwise traffic, so-called, around the Horn.

The CHAIRMAN. What competition do you mean?

Mr. SKINNER. I mean the competition of the foreign vessel from British Columbia, for instance, to New York, with lumber.

The CHAIRMAN. From British Columbia?

Mr. SKINNER. Yes, sir.

The CHAIRMAN. But from your California ports to the Atlantic ports they can not drive anybody off. The American vessels are all protected.

Mr. SKINNER. Certainly. For instance, we will take our commodity. I will speak for our commodity, which I think is of as large importance as any interest in the United States. Unless you are familiar with it, Mr. Chairman, you can hardly conceive of its magnitude. I will state that last year we sawed and consumed 40 billion feet of lumber in the United States.

Now, we have just across an imaginary line in British Columbia, the same forests, the same trees, the same equipment exactly as we have on our side. The manufacturer in Vancouver can employ any bottom that he wants to. There is no law prohibiting his using a French vessel, a Dutch vessel, an English vessel, or anything else that he can get at the cheapest rate from Vancouver, carrying our commodity (mind you it is all the same) to New York. Now, is it not perfectly apparent that it is impossible for the American vessel with its increased cost of construction, with its increased cost of wages, with its increased cost of maintenance and everything else to ply from Puget Sound to New York in competition with him?

The CHAIRMAN. But what do the foreign vessels have to pay when they get to New York?

Mr. SKINNER. They have to pay nothing but your port dues of 6 cents a ton.

The CHAIRMAN. What do they pay as tariff?

Mr. SKINNER. As tariff 83 cents a thousand.

The CHAIRMAN. Is not that the answer to the whole of your argument?

Mr. SKINNER. No, sir; not by a long way.

The CHAIRMAN. Then what you do want is a subsidy for a ship already protected against all competition—

Mr. SKINNER. Which, as I say, has annihilated the trade.

The CHAIRMAN. And use that same subsidy to enhance the tariff on the goods of the importer from British Columbia?

Mr. SKINNER. I would also like to say, Mr. Chairman, that last night, in consultation with Mr. Marvin and some other friends whom we happened to meet, I suggested this additional amendment to ours—that the American vessel should pay, if subsidized, in port dues when she clears the amount of the duty on the commodity she carries, to eliminate that fear and that claim that we were not only being protected but subsidized besides.

But the trouble is, I am frank to say, that I do not know and I am not selfish enough to try to claim that this matter should be entirely legislative in behalf of the lumber interests and the coal interests, and perhaps against the dried-fruit interests and the fishing interests and other interests where the duty may be more than the subsidy.

I will give you an illustration of what I mean.

We chartered the *Shenandoah* to run from Fort Blakeley, where our mill is located, to New York. Her subsidy would amount to—well, if she ran six months, her tonnage being 3,000, her subsidy would amount to \$7,500. The duty at 83 cents a thousand would be \$2,100. The principal consumption in the east, Mr. Chairman, and the principal consumption which we can reach, is for the sizes 8 by 8 and over, for bridge building, for dock construction, for every known purpose of constructional use. I believe that constitutes 50 per cent of the consumption in the East; and they are finding it more difficult in the South and in the East all the while to supply that kind of lumber. We have the material that grows large enough and good enough so that you can make from it anything from a match to a ship's mast; and we feel and we know that we are consequently at least ten years nearer this market in the East than we would be if we had a specialty.

You can readily see what we would have to overcome if that subsidy applied from British Columbia, for instance, to New York, and the vessel was paid \$7,500 and there was only \$2,100 duty. I assume that the committee supposed in framing this bill that the subsidy that the Government would pay would just about equalize the difference between the cost of operation of the foreign vessel and the American vessel. Now, if the British Columbia manufacturer can ship from Vancouver to New York he will have to pay the duty. If we secure a subsidy which just equalizes the difference we can afford to pay the Government in port dues the amount he pays in duty and still be on a par with him. But if we absolutely can not get any tonnage, because what he has built is taken away from us, and we can not use foreign tonnage, what in the world can we do?

The CHAIRMAN. Use our surplus coastwise ships that are by the hundreds lying idle on the Atlantic coast.

Mr. SKINNER. They can not do that work, sir, and they have not. As I said, historically the business has been annihilated, which proves the fact that they can not exist. Now, you can take green fruits, or you can take dried fruits, or you can take any other specialty, and you can localize it. You can say that it can not be grown anywhere except in three or four counties in one part of California. But unfortunately, perhaps, for us there is a commodity grown just across the imaginary line in British Columbia which is the same as ours exactly. There is plenty of it in Mexico. There is plenty of it on the Yalu River. In fact, the charter of the *Stanley Dollar*

practically precipitated the Russo-Japanese war, because a Russian wanted to step over the line and cut timber for that ship.

Mr. GOULDEN. Do the Pacific coast traders have any difficulty at all now in obtaining bottoms to take their product around to New York?

Mr. SKINNER. I will be frank to say this, Mr. Goulden—that the trade here has only started, having been confined chiefly to lumber for shipbuilding purposes and for masts and for specialties. We could have had more trade here before had we known exactly the conditions here.

Mr. GOULDEN. I know we need it up in New York.

Mr. SKINNER. Yes; but we are 3,000 miles away from you, and I presume we will not know just what is needed. We travel across the country a great deal, but we are not as familiar with the conditions here as you are, and perhaps you are not as familiar with the conditions over there as we would like to have you in adjudicating this matter.

Mr. GOULDEN. How is your competition with the Canadian manufacturers?

Mr. SKINNER. Very sharp, indeed. They have all of the foreign trade in competition with us, but fortunately we have an equal chance at all the foreign bottoms in competition with them; and we control 75 per cent of the foreign trade, because we have an equal chance at the foreign bottoms.

Mr. HINSHAW. So that nearly all your output goes to foreign countries?

Mr. SKINNER. No, sir; our output goes mainly to this country. About 10 per cent of our output goes to foreign countries, about 25 per cent of it is consumed on the coast, and the balance goes by rail and for local consumption upon the sound.

Mr. GOULDEN. What is your output?

Mr. SKINNER. Our own output?

Mr. GOULDEN. Yes.

Mr. SKINNER. We cut last year 121,000,000 feet.

Mr. WACHTER. Do the Vancouver people get all the bottoms and tonnage they want to ship their products to New York?

Mr. SKINNER. They get all they want; they have got the world's tonnage open to them. I have telegrams here which I will show you, from which you can see that we were offered, on January 30, for instance, a foreign vessel for shipment of lumber from Vancouver to New York at \$13.25 a thousand. At the same time we paid \$15.50 a thousand for American vessels. We were offered recently a foreign vessel at \$14. In a discussion I had with the directors of the shipowners in San Francisco the other day (and, by the way, I have their petition, signed by about 250 men out there, I guess, which I wish to submit to you afterwards for file), they said: "Why, we will furnish you with vessels at \$18 or \$20."

I know that the California Shipping Company, the only company out there that have any tonnage of any importance at all, are asking \$20, because they know that we are prohibited from using foreign bottoms, and that if we can get our stuff around here at all we have got to use theirs. I said to those gentlemen, who answered that proposition by saying "We will furnish them to you at \$18 or \$20," "In the first place, I know every ship you have, and you could not assemble

enough vessels to enable us to ship for two months the output of my own mill alone if you gave me all of your fleet. In the next place, how in the world am I to live by paying you \$18 to \$20 when foreign vessels can be secured by the British Columbia manufacturers in competition with us for \$14, all they want of them?"

The actual result of this thing is simply this, gentlemen, and just as sure as we are in the business, just as sure as you are interested in any business, you can count on this, that if we receive no relief in this consideration at all the forests of British Columbia will be stripped, the forests of Mexico will be stripped, before we will ever be able to get to the east coast trade, which is the best trade in the world, and the trade that we merit. I believe to-day that the amendment we ask—to have this subsidy apply to traffic around the Horn—Americanizes the bill. It helps the Pacific coast to eliminate the distance; it helps us and the producers of the United States, who are paying a part of this bill, and it helps the consumers on the east coast to create a competition to reduce the cost of the material which we can deliver to them here.

Mr. SPIGHT. Would you be willing to have the foreign ships enter into competition with our own around the Horn?

Mr. SKINNER. I should say to you frankly, sir, that they would not enter into competition with us, for there are none of ours for them to compete with.

Mr. SEWALL. I have 10.

Mr. SKINNER. But how many have you that can go around the Horn? You have the *Shenandoah*.

Mr. SEWALL. I mean I have ships that can go around there and do go around there.

Mr. SKINNER. You have the *Shenandoah* and you have the *Babcock*, Mr. Sewall. We have been trying to charter the *Babcock* for \$16—at least \$2 more than we know we can secure a foreign vessel for.

Now, the fact must be taken into consideration that there has been a time in the history of everything, in the history of the United States, in the history of the discovery of gold, in the history of the discovery of the X-rays, or anything else, when that matter was brought first to the public attention and was first made a success. We have watched the timber trade gradually recede from the Eastern States to Michigan, Wisconsin, Minnesota, the mountain States, and gradually to the Pacific States. We know just as surely as we know anything that the Pacific coast States are going to supply the east coast of the United States with the principal portion of their lumber, especially of large material; and if we can not get the bottoms to carry it, you might just as well say, "Your heart can beat, but your arteries can not carry your blood."

Now, I have tried to present this matter to you as well as I could, and I want to say to you that it is rather difficult for anyone to step out of an office into this position of debate here and be careful to see that he hits all of these points and presents this thing to you as conclusively as he should. But I want to touch especially on this second amendment which we request—that the subsidy be not applied to ships plying between British Columbian ports and ports of the United States, so that you may understand more particularly why we are justified in that request.

Somebody said to me when I came over here first, about three

weeks ago, "Why should not the beet-sugar growers object to having the subsidy applied to bringing in sugar in competition with them? Why should not the steel people do the same?"

My answer was that, for instance, from Cuba to New York they have the water rate of \$2 a ton by steamer, as I understand it; they have also the duty, and they have the additional rate from New York to their distributing point in Michigan over the rate from their local point to Chicago, say. The rate, as I understand it, on sugar from New York to Chicago is 23 cents, while from Saginaw and Bay City, where they manufacture the most of the sugar in Michigan, it is only 10 cents. They have the \$2 rate by water, and they have the duty. They have 13 cents a hundred as protection.

The steel industry, and in fact almost every industry that I know of, has the additional protection of not only the duty but a rail or sea rate in addition.

If you know the topography of the Pacific coast, and especially of Puget Sound, you will realize that this clause in your bill, which says that the subsidy shall be paid to any vessel flying more than 150 miles from the last port of arrival or departure of the vessel, would allow these American vessels, our own included—and we can not treat our stockholders any differently than you can treat any constituent you have; you have got to give them honest consideration—this bill would compel us to use American vessels sailing from San Francisco to Vancouver, and they could secure this subsidy in competition with us at Port Blakely or Seattle, where we could not get it; and we would have to pass right by the door of our competitor in sailing through the Straits. I presume that all you gentlemen are acquainted with the topography of Puget Sound and know just about how the application of this matter is; but, at any rate, I want to impress, if I can, the matter on your minds.

This is a very indistinct map [producing map], but you see here, for instance, as I have illustrated, the competition from steel is from England, over here, with a water rate in addition to the duty. The competition of the sugar is from Cuba, up here. Now, we are located on the Sound. Our mill is about there, say, near Seattle [indicating]. All of these vessels which will ply from San Francisco or from San Pedro or from San Diego or from consuming ports on the Pacific coast could stop at Vancouver and secure this subsidy, but they could not secure it if they came to Port Blakely; consequently they go no distance out of the way; they perform no service at all that entitles them to this subsidy. The result would be that it would not only help offset the present tariff on lumber, but if the tariff on lumber is to be taken off—and I wish you would consider, in connection with this, that the duty is always a matter of uncertainty—its tenure is uncertain, but this subsidy, if it is going to live (and it ought to live), is going to live for years.

We ask that that amendment be applied to the bill, because we consider it absolutely unfair that a competitor located right on the way of the transit from San Francisco, for instance, to Seattle should be paid a subsidy for American vessels and we can not secure it. It simply provides an additional subsidy for foreign people.

I think I have said (though I might enlarge upon it, if it is essential) that the railway facilities to-day are absolutely inadequate to take care of our commodity.

The CHAIRMAN. Yes; you have already pointed that out.

Mr. SKINNER. Now, another thing, Mr. Chairman, is this—that every commodity of the Pacific coast is vitally interested in this bill, because if we can find, by the subsidy or by any other available means, some method of transporting our material, especially our coarse commodities that can stand water shipment, we will relieve the railroads of their present tax, and consequently will make it possible for them to handle the other material which can not very well be shipped by water, like green fruit, etc., to better advantage to the shipper. And if we can ever get into the condition where the railroads out there have to compete for business, it will be the best thing that ever happened to the United States.

I want you to also keep in mind, gentlemen, that the history of the coasting business—the strictly coasting business, as we call it; not around the Horn, but the coastwise business, up and down each coast—has proven that the vessels that are best equipped and those that are successful in the handling of the business can not handle it for a deep-sea voyage. We have had 16 (I should say, offhand) small vessels, running from 600 to 700 tons, of schooner construction, that carry 60 per cent of their cargo on deck, operating back and forth and earning, say, from 7½ to 10 per cent, which is little enough. We have had the very same vessels, which we are going to ship around the Horn here now, that will carry twice as much, laid up for four years because they could not operate successfully in competition with them. In the first place, they are twice as large; they have to pay twice the towage; they have to pay twice the wharf dues; it takes them twice as long to unload, and with a double-decker you have almost twice the expense; you have considerably more expense—I will not say twice the expense, but considerably more expense—in handling them.

The result is that the vessel that is needed for shipment around the Horn must be equal to any vessel needed for foreign shipment, and it can not compete successfully. History proves, both on the east and west coast, as Mr. Pendleton has told me, that the average shipment on the east coast to-day is about 500,000 feet of lumber and on the west coast it probably averages a little bit more; but these coastwise vessels that we have to-day can not ply around the Horn; they can not live around there; they can not carry the deck cargo. I think that that can be verified very easily by anyone who is familiar with the conditions.

Now, I say to you gentlemen that this is a matter of vital importance to us—a matter of, we think, probably as great importance as any measure that has been brought to your attention. We are sorry that we did not bring it up before; we are sorry that it has to come in the form of an amendment, and was not taken up with the Senate committee; but because we did not do that I do not think we ought to be convicted because of the sin of omission.

About ten years ago we tried to subsidize, by our own feeble efforts, a line of vessels in San Francisco to assist us in competing with the oppressive conditions of the railroads. The Merchants' Line was created there, to which the merchants themselves subscribed \$300,000. They carelessly, I presume, employed a foreign vessel to ply from San Francisco to the Panama Railroad. At that time the Panama Railroad had not made its contract, or at least had not renewed its contract, with the Pacific Mail Steamship Company. It was very anxious

to bring the Pacific Mail Steamship Company to time. The Government immediately said: "Gentlemen, you can not use that foreign bottom; consequently you can not use the Panama route." Naturally the Pacific Mail Company did not help us a bit. They were quite anxious to assist the Southern Pacific. The result was that in endeavoring to create a new line of transportation by what was practically a subsidy by the citizens of San Francisco, in trying to create competition and foster a line to carry material around the Horn, they lost their \$300,000. I have since asked them why they did not appear before Congress with a reasonable bill and ask for relief. They needed it.

The most vital question to-day, in my estimation, that is before the people of the United States is not building artificial barriers (as this bill will do if it is not amended and these ships are subsidized to relieve that traffic between the two coasts), but it is to help the merchant marine. We are creating a canal for the very same purpose. If we do not have the ships to run through the canal, what possible good is the canal to us, anyway? The difference between the revenue that we will receive from the canal (which Mr. Wallace, I notice, estimated the other day on an expenditure of \$300,000,000 would be about 3 per cent) and what we can earn for that money at home when we pay those bonds is just what we subsidize the foreigners for. To that extent we will subsidize the foreign bottoms.

The CHAIRMAN. We are doing that in so many different directions that it is hardly worth while to pick out one little place like that. The moment a German builds a ship and adds a couple or three feet to its draft, this Congress piles out our money to let it in to further competition with our factories and our ships; so, you see, it is our policy.

Mr. SKINNER. You are only accentuating, Mr. Chairman, what I am trying to say.

I hope I have demonstrated the fact that the Pacific coast needs this water outlet, the freest outlet in the world, the outlet that nobody can monopolize; and I want to tell you a strange thing, gentlemen. I was interested yesterday in Mr. Goulder's statement that the Lake traffic was hauled at about eight-tenths of a mill per ton per mile. Last night we figured out what our average rates were on lumber on the ocean and around the Horn and to Australia. You would be surprised at the figure.

We are carrying the stuff to-day for less than that, or at least the foreigners are, and we can live if this subsidy will make up the difference. We can live on carrying the stuff at the same rate that they are carrying it on the Lakes and make money, because they are making money on the Lakes. The rate to-day by water per ton per mile is only six-tenths of a mill from New York to San Francisco. The rate by rail is ten times as much; that is, considering distance.

I thank you all for your attention.

(Mr. Skinner was informed by the committee that he or the gentlemen associated with him might have the privilege of filing additional remarks in writing.)

SUPPLEMENTARY STATEMENT OF MR. D. E. SKINNER AND OTHERS.

WASHINGTON, D. C., April 17, 1906.

HON. CHAS. H. GROSVENOR,

*Chairman Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.*

SIR: As per your kind request we submit a summary of the statements made by the Pacific coast delegation before your honorable committee, with additions thereto, for printing in your minutes, in behalf of the following amendments to Senate bill 529.

1. That the subsidy be made to apply to American vessels plying to and from Atlantic and Pacific ports around the Horn or via the Straits of Magellan until the Panama Canal is completed.

2. That the subsidy be not applied to tonnage plying to and from ports of British North America on the Pacific Ocean and all ports of the United States.

One of the principal purposes of the bill is to create and train a naval reserve, and we are thoroughly convinced that the best opportunity of accomplishing this is in securing sailors for trips between the east and west coasts of the United States, practically the longest voyage in the world, and three-fourths in foreign waters, and especially where they can be obtained from the surplus population in the large cities of the East. The captains can then have no reasonable excuse for demanding the subsidy without employing a requisite number of Americans to provide his crew, as he may do under the present form of the bill by making a sworn statement before the American consul in a foreign port that it is impossible to secure them.

If we are justified in our assumption that the application of the subsidy between the two coasts is not contrary to the Constitution or to the previous considerations of this voyage in law, it should be acceptable to the people as an American measure. The entire history of municipal, State, and national legislation has proven that the people are willing to subsidize means of transportation both by rail and water, to lessen the distances and to increase the facilities of traffic between the States; also to regulate transportation rates by the opening of competition, and not to create artificial barriers as incorporated in this bill.

Every argument in behalf of the construction of the Panama Canal is an argument in favor of our first amendment. We will spend hundreds of millions of dollars in this enterprise, from which we will receive only a minimum return in the way of interest.

To the extent that the interest is less than the average rate that can be secured by the use of the money so spent in commercial pursuits we are subsidizing foreign nations unless we create an American merchant marine of sufficient volume to enable us to take advantage of the facilities so created. Foreign tonnage will only seek this highway when it appears more economical than other routes, and English tonnage will naturally give the preference to the Suez Canal for oriental voyages. Therefore, to insure fair returns on this investment, we should not depend too much upon foreign vessels, but encourage in every way possible traffic by the canal by American tonnage between the two coasts and oceans.

It is perfectly evident that the transcontinental lines have recovered from bankruptcy and been, within the past few years, placed upon the plane of the safest and best investments of any railway properties in the United States to-day, on account of the transcontinental traffic, and that it is principally from the West to the East. We are annually disastrously short of cars, and the railroads claim that they can not haul the empty tonnage to the Pacific coast to return especially with coarse commodities. The fact also that three new transcontinental lines are being built is sufficient evidence that capital has entire confidence in the future increase of this traffic. We claim that legislation that has and will continue to annihilate this traffic by water between the two coasts is unwarranted, unjust, and unwise, as it will naturally force these commodities to be carried entirely by the railroads, and that they are at present unable to furnish facilities adequate to the demand is evidenced by the fact that there are thousands of cars loaded and stalled west of the Rocky Mountains owing to lack of locomotive power.

The source of production has gradually extended from the East to the Central West and thence to the Pacific coast, and we must assume that, instead of being of entire advantage to the producers, this subsidy will in like proportion, as the population lies east of the Rockies, be of much greater benefit to the consumer. Our population on the Pacific coast will undoubtedly always remain at about its present ratio, but even if it increases it will never reach more than a moderate percentage of the consuming portion of the Republic. The consumer is as vitally interested as the producer, and, in fact, more so, in the facilities for cheapening the delivery of goods.

We are convinced that our industries have been handicapped for years, not only on account of the lack of cheap fuel, which we have now replaced with oil at a reasonable price, but especially on account of the annihilation of traffic between the two coasts by water, by the unfortunate application of the coastwise laws, which were enacted before the Pacific coast was part of our Republic. Vessel facilities have been successfully built, taking the principal portion of their cargo on deck and of such type as can not be used "around the Horn," to carry, at reasonable profits to the owners, all of the strictly coastwise trade on each coast, but it is impossible for an American deep-sea vessel to ply between the two coasts, as she is immediately confronted with the same handicap as has driven the American merchant marine off the high seas—that is, the extreme additional cost of construction, repairs, equipment, and wages. It is just as impossible for a vessel to carry a cargo of lumber from Seattle to New York successfully in competition with a foreign vessel from Vancouver to New York as it has been for American vessels to ply successfully to any foreign ports with the same competition.

If we have no relief in this bill or some other measure that may be enacted that will give us the right to use the cheapest and only right of way that can not be monopolized, we are naturally forced to sell our commodities in the trade adjacent to us, which is becoming so congested that, owing to lack of transportation facilities to our eastern trade, we will have a repetition of our experience of the past two years, when we were forced to sell our commodities at less than cost at a time when our country has been the most prosperous. This is a serious disadvantage to all of the people on the coast, as it restricts wages,

compels us to only cut the easiest and most available timber, leaving the rest to sure destruction by fire, whereas if we have any fairly remunerative prices we are in position to cut the timber as closely as possible, pay better wages, and save this immense wealth.

We believe that the use of the word "coastwise" in this connection is a misnomer, as evidenced by the laws regulating navigation and covering seamen. Also particularly that it has not been benefited by this presumed protection, as there has not been for years any but very infrequent vessels plying in this trade, with the exception of one steamship line running under contract for Hawaiian sugar, and this will be transferred to the Tehuantepec route this year.

Within the past six months we have chartered, at an average rate of \$15 per thousand feet lumber from the west coast to Atlantic ports, all the tonnage available, aggregating about ten ships, and six of these are to be sold in New York for coal hulks, while two others that have been offered to us recently have been withdrawn for return trips from the Orient, presumably to secure the subsidy if enacted into law.

Some vessels obtainable on the west coast have suggested that they might be induced into the traffic at about \$20 per thousand, which is at least \$6 per thousand more than the rate essential to secure any foreign tonnage requisite from British Columbia.

You can readily see that any duty that may possibly be enacted, not considering the present very moderate amount of protection of only 83 cents per thousand on 8 by 8 inches and over, would and could not offset the difference in rates that we are already paying, and that possibly could be demanded for American tonnage.

The largest consuming market in the world for lumber is the United States, and all the American tonnage that is now available at any rates would provide but a very small portion of the tonnage that will be required to supply the demands in this market.

Our particular industry can not produce an annual crop, and after the forests are once cut they can never be reproduced. The vital and increasing need of the Pacific coast is transportation facilities to the consuming market, as its producing capacity is unlimited and population comparatively small, and anything restricting this is harmful, unwise, and we think absolutely unnecessary. The present railway rate bill will undoubtedly tend to increase the long distance rates. This water outlet will help to regulate, as it should, railway rates, and will not only enable us to transport our material to the principal ports of the East but distribute it to the extent that the difference between the water rate and the rail rate will allow us to transport our commodities from the port of destination in the East to the interior; under present conditions practically covering the New England States and as far west as a line drawn north and south through Buffalo and Pittsburg.

Any relief of the burden on the railroads by transporting such commodities as can be shipped by water will facilitate the shipment of the balance of the commodities and to such territory that will necessarily have to be covered by rail, and possibly at some time create a condition of competition among the railroads so they must seek traffic, which will, of course, inure to the benefit of all shippers and receivers.

The three new lines building to the coast, if present conditions con-

tinue, will be overwhelmed with business, as the present ones are, by the time they are constructed.

It has been suggested to us that the trade that we are developing would not increase as we anticipate. However, we are as sure of this as the positive knowledge of the past development of all west coast traffic, and in event that it should not develop it would naturally cost the Government nothing in subsidy, but if this immense demand, to which we are entitled by every right, continues and grows in the magnitude that we are positive it will, it will be diverted by the use of foreign bottoms to shipments of the same material from British Columbia just across an imaginary line, until their forests are depleted, and then perhaps to Mexican ports, and we will have to suffer and wait for an opportunity of delivering our goods to this market until such time as they can not be procured anywhere else. This delay and stifling of our industries is unnecessary and unwarranted.

In behalf of our second amendment—namely, the exclusion of trade between our ports and British Columbian ports from the benefit of the subsidy—we wish to say that undoubtedly the omission of this protection is unintentional. Every other commodity in the United States that meets with foreign competition is protected, either by the cost of a rate by rail or sea, or by both, plus a duty, whereas on the North Pacific coast American vessels can receive the subsidy and secure cargoes at foreign ports in British Columbia, going directly past them to American ports on the way to and from sea through the Strait of Fuca, and not only offset to a certain extent, and in some cases entirely, the present duty, but if the duty is removed at any time (and it is only reasonable to admit that the duty is subject to the exigency of conditions) the subsidy would act as an additional bonus to our competitors in delivering their merchandise to our American customers. More plainly stated, a vessel plying from Seattle to San Francisco could not secure the subsidy, neither could a vessel plying from Seattle to New York, but as the bill reads at present the same vessel could stop at Vancouver, directly opposite an American port on Puget Sound and across a purely imaginary line, and secure on the trip to San Francisco, in the case of a sailing vessel, enough to offset the present duty, and on the trip to New York an amount equal to about five times the duty.

That this is manifestly unfair is so evident we are convinced it will receive due consideration from your committee.

The growing sentiment in the West will be more evident from day to day in behalf of better and more adequate transportation facilities, and although your committee may see fit to eliminate the application of the subsidy to British Columbian ports, this is not enough, for we will receive from this merely a negative protective benefit, and we must ask in all earnestness that the committee give due and careful consideration to the vital demands of our interests for the facilities we request, as proposed in our first amendment. If we can not receive these now, it will follow that when the canal is constructed the coastwise law will prohibit the use of foreign bottoms between the two coasts, which will naturally carry the commodities from the East to the Orient, and vice versa, and deprive the entire Pacific coast, except possibly the Northwest, of the trans-Pacific traffic which it enjoys to-day. If we are not able to secure American vessels, we are

still further deprived of any means of transportation between the coasts through the canal, and the bill will simply provide that we can not have tonnage of our own and our British Columbian competitors can not have the benefit of the subsidy.

Please allow us to make a few general remarks in reference to the bill itself.

We have been asked for a concrete case illustrating the general statement that an American captain is of advantage in assisting in distributing our products.

We wish to cite a case, and it is only one of the many different conditions that confront us as foreign shippers. The British vessel *Scottish Hills* loaded a cargo of lumber at Port Blakeley for Australia. The captain's wife was on board. It was proven later in passing out of the Strait of Fuca in severe weather he lost his deck load (by cutting the lashing), which evidence was given to us by the captain of the tug towing him out. When he arrived in Australia the consignees naturally made a very serious claim for loss, and in support of their contention they produced an affidavit given by the captain and the mate of the vessel that the deck portion of the cargo was received in such rotten condition that it was thrown overboard at the mill, although we had the final bills of lading and daily receipts from the officers for the full and complete cargo. It is beyond question that he could not have the privilege of throwing lumber overboard at the mill, and certainly would not sign a bill of lading for it in good order and condition if it had been otherwise.

If this had been an American ship with American officers, in the first place they would have had no inclination to support this claim to try to protect themselves by any such unreasonable subterfuge, and had they done so we would, upon their return to the United States, have arrested them for perjury. We know from constant contact with our foreign customers that "blood will tell," and it is only natural that an English captain is more anxious to persuade customers to buy goods from England or her colonies, and also, as he is naturally anxious to return home as often as possible, he will use all endeavors to secure freight that will carry him to his home ports. The same feeling prevailing among American officers sailing in our vessels would assist us in soliciting and in carrying cargoes to and from American ports.

It is almost beyond question that the Chinese boycott, if not created, was at least favored by the foreign houses desiring to assist in promoting the sale of their own goods in competition with ours. We have practically no American houses in the Orient, and it was quite natural that without these means of coming in contact with the customers the boycott could not only have been started, but fostered against American goods, as foreign agencies are disseminated throughout the world, and especially in the Orient. We on the Pacific coast dealing direct with this trade are quite convinced that the conditions recently prevailing, and in fact still in existence, need not have occurred.

We have recently been compelled to avoid showing American port of loading in bills of lading to China.

The Central States are apparently indifferent or averse to this measure, although the railways carrying all their commodities to the markets have been subsidized, as mentioned, and we are to-day con-

tinuing this in the way of earnings on the increased capital stock which has to come out of the cost of freight charges. Recently we have known of several vessels sailing from Puget Sound to Australia in ballast, carrying grain from there to Europe, as they refused to accept less than the agreed rate entered into between the German, French, and English vessel owners about two years ago in Paris. It seems to us highly important and opportune for the interior States to assist in creating competition on the high seas to carry their commodities to the market and to offset this monopoly created by a combination of various nations controlling our commerce by water to-day.

We ask in behalf of the entire producing community of the Pacific coast, and proportionately in behalf of the entire consuming community of the East, that the bill be so amended that we can have the benefit of this opportunity for water transportation.

We also submit a petition from the shipowners and merchants of San Francisco indorsing these amendments.

All of which is respectfully submitted.

CHAS. H. ADAMS.
H. T. FOSTER.
H. M. WRIGHT.
J. A. SINCLAIR.
D. E. SKINNER.
L. H. PIERSON.

Petition of Pacific coast shipowners, manufacturers, and merchants.

We, the undersigned shipowners and representatives of allied industries, believing that the American merchant marine is in need of assistance, and that some action should also be taken to provide men to man our naval vessels in time of need, desire hereby to express our approval of Senate bill No. 529, known as the "ship-subsidy bill," and do recommend its passage with amendments as proposed by Skinner, Adams, and Pierson, the delegates from this coast representing the shipping and lumber interests.

Dolbur & Carson, by Wm. G. Hagan, shipping, 6 California street, San Francisco; E. K. Wood Lumber Co., shipping, 6 California street, San Francisco; Ludden & Christenson, shipping, 6 California street, San Francisco; The Charles Nelson Co., James Tyson, manager, shipping, 6 California street, San Francisco; Truckee Lumber Co., O. C. Haslett, shipping, 6 California street; T. E. Slade Lumber Co., per T. E. Slade, 6 California street; E. B. Smith, 6 California street; J. Jensen, 10 California street; California Shipping Co., Cyrus Ryder, president, 42 Market street; Charles Boudrow, by Cyrus Ryder, his attorney in fact, 42 Market street; Coast Shipping Co., by Joseph A. Oliver, president, 22 California street; Geo. E. Billings, 202 California street; Hall Bros. Marine Rwy. & S. B. Co., by Geo. E. Billings, president, 202 California street; Hind, Rolph & Co., 302 California street; Chas. R. McCormick & Co., by S. M. Hauptruner, 313 California street; Bellingham Bay Improvement Co., per A. A. Baxter, assistant secretary, 204 Front street; Pope & Talbot, W. H. Talbot, president, 314 California street; Port Blakely Mill Co., per C. Edw. Holmes, secretary, 1031 Mills Building; Barneson-Hibberd Co., John Barneson, president, 116 California street; Macoudray & Co., John Barneson, president, 116 California street; Enterprise Warehouse Co., 116 California street; Washington Mill Co., Rodney Kendrick, secretary and treasurer, 604 Montgomery street; Welch & Co., P. M. Varpin, vice-president, 220 California street; Sanders & Kirchmann (Inc.), by H. Kirchmann, secretary, shipping, 22 California street; Stimson Mill Co., per J. H. B.; J. H. Baxter, No. 6 California street.

Cunningham Distilleries Co., Inc., per H., 312 Battery street; C. Goslinsky & Co., 217 Battery street; Ehrman Bros & Co., 225 California street; J. Bamberger & Co., 203 Battery street; Simon Levy & Co., 211 Battery street; Pacific Coast Paper Co., 206-208 Battery street; Leo Metzger & Co., 118 Battery street; Theo. Gler Co., 116 Battery street; Wichman, Lutgen & Co., by Brodersen, 29 Battery street; Cerruti Mercantile Co., 534 Washington street, San Francisco; Brunsing, Tolle & Postel, Inc., 512 Front street, San Francisco; Wm. A. Schultz, 523 Front street; Weil Bros. & Sons, 13 and 15 Front street, San Francisco; Hey, Grauerholz & Co., 224 Front street; Geo. Delaporte, 228 Front street, San Francisco; N. M. DeVal & Co., 221 Front street, San Francisco; M. Jamter & Co., 221 Front street; A. Coolot Co., W. E. C., 217 Front street; Las Dos Naciones Cigar Co., per L. A. Sawyer, manager, 205 Front street; Edward Wolf Co., Wolf, 304 Front street; Buneman Mercantile Co., Inc., J. L. R., sec., 317 Front street; E. A. Fargo Company, 316 Front street; Hanley Mercantile Co., 404 Front street; E. F. Taylor, 14 Market street, San Francisco; F. L. Pritchard, 14 Market street, San Francisco; S. F. Weeks Co., per A. B. Emerson, vice-pres., 31 Market street; Louis Wentz, 231 California; Emil Gingg, 231 California; J. R. Gates & Co., Inc., Sansome and Commercial streets; Frank J. Klimm, 216 Sacramento street, San Francisco, Cal.; Marshall-Newell Supply Co., 33 Sacramento street, San Francisco; Power & Pike Co., 17 Drumm street; Guleson, Collins & Co., 619-621 Battery street; De Laval Dairy Supply Co., C. E. Hill, genl. mgr., 9 Drumm street; Bredhoff, Nelson Co., by Chas. M. Bredhoff, pres. and mgr., 16 and 18 Drumm street, San Francisco; Joseph Levy Bag Co., Inc., 58 Clay street, San Francisco; S. F. Packing Co., 205 Drumm street; Howard & McDonald, D. C. Howard, 220 Drumm street; Minaker & Welbanks, 228 Drumm street; Wellman Pick Co., 311 East street; A. L. Lundy Co., by Greene, vice-pres., 113 Sacramento street; Dairymen's Union of Cal., C. E. Baccala, cashier, 124 Davis street; Wheaton, Pond & Harrold, Inc., George Wheaton, secretary, 110 Davis street; F. B. Vorrhies & Sons, 108 Davis street.

Hermann Joost, 321 Front street; Brown & Adams, per J. E. A., 325 Front street; P. Schlegel & Co., per D., jr., 328 Front street; E. C. Moss & Co., by A. R. Rickoff, 324 Front street; Kennedy & Hyland, by C. W. Hyland, 324 Front street; Marshall & Reimers, 320 Front street; C. M. Volkman & Co., per C. M. V., 408 Front street; Keystone Poultry and Egg Co., M. M. J., jr., 412 Front street; Valvoline Oil Company, T. J. Finch, Mgr., 418 Front street; G. B. Levaggi, 420 Front street; Max Wolf & Co., 423 Front street; The Sunset Nut Shelling Co., H. Sternau, 419 Front street; D. De Bernardi & Co., D. D., 409 Front street; Js. L. Daniels Co., Js. L. D., 407 Front street; Standard Biscuit Co., cor. Front and Pacific streets; A. Giurlani & Bro., C. M., 610-612 Front street; W. B. Sumner & Co., 600 Front street; Swiss-American Wine Co., by A. G. Dandero, 530-532 Washington street; Kohlberg & Co., 526-528 Washington street; E. Myers, 810 Kearny street; Jonas Schoenfeld & Co., 516 and 518 Washington street; J. S. King (Wilson D. Co.), 406 Sacramento street; C. W. Faig & Co., 316 Sacramento street; Oppenheimer & Bro., E. O., 343 Sacramento street; Geo. Herrmann Company, Geo. Herrmann, Pres., 310 Sacramento street; Pacific Ammonia Bottling Co., Geo. Herrmann, Pres., 310 Sacramento street; Zinkand, Mann & Co., Frederick Mann, 313-315 Sacramento street; Laventhal Bros., E. B. Laventhal, 309-311 Sacramento street; John Rothschild & Co., 115 Sacramento street; Bertin & Lepori (Incorporated), L. C. Bertin, 520 Washington street; Felix Coblentz & Co., 413 Battery street; Lowenberg & Co., 413 Battery street; A. Vignier Co., 429 Battery street; M. Rosenshine & Bro., 415 Battery street; Dave D. Gibbons & Co., 407 Battery street; Max Ordenstein, by M. Ordenstein, 320-322 Battery street; Rusconi, Fisher & Co., by Chas. M. Fisher, 307 Battery street.

Los Angeles Soap Company, 115 Davis street, San Francisco, F. B. Warner, manager; Dearborn Drug and Chemical Works, 115 Davis street, San Francisco, Wm. P. Millner, manager; South San Francisco Packing and Provision Company, L. H. Heinsohn, secretary, 117-119 Davis street; Getz Brothers & Co. (Incorporated), by Louis Getz, president, 121-129 Davis street; Pacific Produce Company, 503 Sansome street; M. Both & Co., 419 Washington street; Schiaffino & Musante, 416 Battery street; The Standard Soap Company, M. R. Matthew; Chas. F. Thierbach Company, by Chas. F. Thierbach, president; Adolph J. Fromade Company, per L. Bestermann, secretary; Lake & Co. (Incorporated), E. H. Lake, president, 221 Battery street; Atlantic Fish Company, H. M. Colety & Co., 213-215 Battery street; Frank B. Peterson, 32 California street; C. B. Junuap Company, 121 California street; Louis Garoni, 601 Folsom street; Roth, Blum & Co., 201-203 California street; Rosenberg Brothers & Co., 211 California street; Magner Brothers, S. Magner, 215 and 217 California street; Pascal, Dubedat & Co., E. Dubedat, 222 California street; J. Gallober, per M. H. Marks, 120 Battery street; K. Strauss, 118 Battery street; The John M. Klein Electrical Company, 105-107 Battery street, W. L. Goodwin; L. Dinkelspiel & Sons, 37 Battery street, per E. F. Fahrback; Selig Bros. & Co., 8 Battery street; Hoffman, Rothchild & Co., 9 and 11 Battery street; H. Botto & Co., 419 Washington street; Jno. E. Welmore, 415 Washington street; R. H. Wetmore, Berkeley; W. & M. Marks Company, 309 Washington street, San Francisco; Gray & Barberi Company, 305 Washington street; M. D. Vamales & Co., 318 Washington street; J. Zentner & Co., 500 Front street; E. Lippi & Co., 218 Washington street; M. J. Madrk and Joseph, 214 Washington street; Hunt, Hatch & Co., Oakland, Cal.; S. Meister & Co., 204-206 Washington street; A. Levy Company, 200 Washington street; J. Francorich & Co., 209-213 Washington street; Giovannetti & Son, 127 Washington street; P. Scatena, 117-119 Washington street; Garcia & Maggini, 301-311 Drumm street; L. Sciteao & Co., 104-110 Washington street; Jacobs & Malcolm, 112-113 Washington street; A. Cassinelli & Co., 122 Washington street.

California Stevedore and Ballast Company, per H. R. Young, secretary, 204 California street; J. J. Havaside Co. (Incorporated), per J. J. Havaside, president; C. D. Bunker & Co., by C. D. Bunker, president, 435 Battery street; Wm. H. Thornley, 532 Battery street; R. S. Whuler, 526 Battery street; Youngberg & Son, by Chas. J. Youngberg, 417 Battery street; Bishop & Company, 425 Battery street; Witzel & Baker, 314-316 Battery street; Olsen-Cook Co., 15 Mission street; Yolo Mills Company, by A. F. Hinz, 120 Mission street; Rothschild-Ehrenpfort Co., by H. Rothschild, 27 Main street; The Chevalier Co., by J. A. Fagothey, secretary, 9 Beale street; Alaska Codfish Company, H. Vevi, secretary, 17 Davis street; Martin, Dangers & Camm, S. M., 101-105 California street; Glassford & Elston, 33 California street; Harris Bros. & Co., 27-29 California street; Scheer, Morehouse & Grandi, 15 California street; Norton, Teller & Roden, W. H. R., 129-131 California street; The Cudahy Packing Company, 125 California street; William Ireland, 121 California street; F. J. Corrieo Co., 128 Washington street; Van Husen & Co., 400 Davis street; Wm. B. Collier, superintendent United States Indians' warehouse; Frederick E. Ward, Berkeley; Marvin-Showler Hide Co., by H. A. Marvin, president, 514-516 Front street; Western Paint, Oil and Glass Company, 529 Front street; Carupodonico Burno, 501 Front street; C. G. Clinch & Co., per J. F. Bond, 9 Front street; W. Davis & Son, 11 Front street; L. H. Butcher Co., per L. H. Butcher, 113 Front street; E. Guitard & Co., E. H. Bariean, secretary, 119 Front street; Luhman, Martinelli & Creon, A. E. Martinelli, 118 Front street; Hellmann, Hensley & Co., W. L. Hensley, 108 Front street; Pacific Steel and Wire Company, per H. M. Brittan, 100 Front street; Norris

Bros. & Co., 206 Front street; Fred B. Haight & Co., 212 Front street; Hartter, Hayes & Co., L. Hartter, 216 Front street; L. Feldmann & Co., 220 Front street; F. B. Dallam Co. (Incorporated), Thomas, 230 Front street; Martens, Read & Co., 301 Front street; Von Ronn Lorschach & Co., per T. J. McMannis, 313 Front street; Roethlisberger & Grasshoff, 309 Front street; Sherry & Co., 305 Front street.

Lewis, Anderson, Foard & Co., Carl H. Barstow, secretary, 26 East street, San Francisco; G. M. Josselyn & Co., per Charles B. York, secretary, 40 Market street, San Francisco; C. J. Hendry Company, by S. Joseph, secretary, 10 California street; V. Chuida, 524 Sansome street; D. Biagi & Co., 520 Sansome street; J. N. Susovich & Co., 521 Sansome street; G. Onesti Fruit and Produce Company, by G. Onesti, jr., 511-513 Sansome street; Trobock & Bergen, 505 Sansome street; George W. Tuedal Company, 514 Sansome street; Bonestall, Richardson & Co., 401 Sansome street; Brown & Power (Incorporated), 322 Sansome street; Reed & Goodman, 513 Sacramento street; Cunningham, Curtiss & Welch, 519 Sacramento street; George W. Carmack Company, 412 Sacramento street; O. R. Splivalo & Co., 347-349 Sacramento street, San Francisco, Cal., per F. Curry, 347 Sacramento street; Hammer & Co., 212 Sacramento street; Russ, Early & Harville, 217-219 Sacramento street; S. Foster & Co., 26 and 28 California street; Morris & Marcus, ————; Haas Brothers, 100 California street; Joseph Fredericks & Co., 34-50 Ellis street; M. Friedman & Co., 237 Post street; Geo. D. Cooper, 114 Post street; M. S. Kohlberg & Co., 25 Sansome street; Greenebaum, O'Neil & Michel, 29-31 Sansome street; Mandel Wiener & Co., 121 Sansome street; Cahay, Nickelsburg & Co., 129 Sansome street; J. Cludather Brothers, 133 Sansome street; Housell & Davidson, 19 and 21 California street; H. A. Cook, 128 Market street; Goldstone Brothers, 23 Battery street; Meyerstein Company, 2 Battery street; Payot, Upham & Co., Upham Building; American Book Company, 100 Battery street; Sam. Bates & Co., 212 Battery street; A. Strauss Company, 303-305 Battery street; W. J. Brundenstein Company, Spear and Mission streets; R. C. Walrath, port warden, San Francisco; Henry Piltz, port warden, San Francisco; J. J. Harrigan, secretary board of port wardens; Chas. H. Spear, president State board of harbor commissioners; Richard J. Welch, chief wharfinger, San Francisco; John McFarland, harbor 15, president American Association of Masters and Pilots; Edward J. Fisher, vice-president Master Mariner Benevolent Association; L. Trauny, secretary Master Mariner Benevolent Association.

STATEMENT OF C. W. DORR, ESQ., OF SAN FRANCISCO, CAL.

The CHAIRMAN. Before you proceed in regard to these amendments, I should be glad to have you state what your business is and how you conduct it, in the matter, for instance, of employing and shipping sailors, and so on.

Mr. DORR. Mr. Chairman, I am the general counsel and vice-president of the Alaska Packers' Association, of San Francisco, a company that is engaged exclusively in salmon fishing on the Pacific coast. I do not come here, however, especially to represent that company in this hearing, because, so far as I know, and so far as I can discern from the bill or any proposed amendments to the bill, it can not affect us directly either way from the financial standpoint. The only interest that we have in the measure is the interest that I have as an individual and that I think every resident of the Pacific coast should have in seeing some legislation along this line, tending to build up our merchant marine.

Something has been asked me by the chairman as to the manner of our conducting the fishing business. To just what do you allude, Mr. Chairman?

The CHAIRMAN. To the employment of sailors.

Mr. DORR. We employ in our business about 2,500 sailors each season. They are shipped at San Francisco and dispatched to the fishing grounds in Alaska, where they are employed on the way up as sailors, and while there, in the field, as fishermen, and on the return voyage again as sailors.

Mr. WACHTER. How often are they paid off?

Mr. DORR. They are paid off at the end of the season, sir, in San Francisco, barring some allotments that are paid during the year. We pay out about \$600,000 a year in wages to these men at the time of final disbursement at the close of the season.

The CHAIRMAN. From whom do you employ them?

Mr. DORR. They are employed from the ranks of the sailors' union and the fishermen's union, which work together in San Francisco. They are sailors and fishermen combined. I think they belong to either or both of the unions—many of them to both.

The CHAIRMAN. To whom do you apply when you want some of them—to the man himself or to somebody else?

Mr. DORR. They generally apply to us for employment, as far as that detail is concerned. Of course there are more or less negotiations had.

The CHAIRMAN. With whom do you negotiate?

Mr. DORR. With the committees of the respective unions.

The CHAIRMAN. What have they to do with it?

Mr. DORR. They represent their men; they speak for them.

Mr. WACHTER. Do you employ them through this committee?

Mr. DORR. Indirectly.

Mr. WACHTER. Or do you employ them individually?

Mr. DORR. We arrange with the committee for the wages.

Mr. WACHTER. And you pay the committee, and they in turn pay the men?

Mr. DORR. No; we pay the men direct. These men are shipped before the United States shipping commissioner as other seamen are shipped.

The CHAIRMAN. Do you pay any commission or premium to anybody in connection with the transaction?

Mr. DORR. None whatsoever.

The CHAIRMAN. What have you to do, then, with the committees of these unions?

Mr. DORR. We are forced to deal with them as representing their men, as representing the unions that they speak for. There is only one labor market in San Francisco where this class of labor can be employed, and that is the labor unions' market.

The CHAIRMAN. They designate the men that are to go, do they?

Mr. DORR. No, sir; not necessarily; not the particular men. They negotiate with us as to the terms and conditions of employment and frequently the number of men; but more generally the negotiations are confined to the terms of employment. Mr. Furuseth, whom I see here, is one of the spokesmen for the committee, as a general thing. I think he can vouch for what I say, that we have gotten along very nicely in that regard.

Mr. SPIGHT. I was just going to ask you that question—if you have any trouble in getting the men that you want.

Mr. DORR. We have no particular trouble in getting men so far as numbers are concerned. We have had some trouble in keeping the compensation down as low as we thought it ought to be. [Laughter.] That has been a matter of negotiation and settlement, and I do not come here to complain one way or the other.

The CHAIRMAN. Now, if you have anything to say about this bill we will be glad to hear it.

Mr. GOULDEN. Just one moment. Do you find it an advantage to deal with these two unions in that way, or a disadvantage?

Mr. DORR. Well, sir; I hardly know.

Mr. GOULDEN. As far as getting men is concerned?

Mr. DORR. We have never had any other way to do it for a long time.

Mr. GOULDEN. You have always done it?

Mr. DORR. We do not know any other way to do it.

Mr. GOULDEN. I just wanted to know if there was any advantage or disadvantage about it; that was all.

Mr. DORR. I am unable to say, because we have not tried the other plan.

Mr. GOULDEN. And this has proven satisfactory, has it, in the main?

Mr. DORR. Oh, as those things go, yes. [Laughter.] I think we have tried to deal fairly with them, and I think that Mr. Furuseth has tried to deal fairly with us. I want to say that in his presence. Nevertheless, the wages have been increased to such a point that we found our business unprofitable in the last two years.

Our company owns altogether, big and little, about 90 registered, enrolled, and licensed vessels. It has been said here that it is the largest fleet flying the American flag. I have often heard that, but I have never taken the trouble to count the others. I presume it is the largest in number of ships; not in tonnage, of course.

The CHAIRMAN. What is the size of your smallest vessel?

Mr. DORR. They run from 5 tons to 2,000 tons, counting everything that requires to be registered. We own about 20 large (large for our business) and medium-sized sailing ships, running from 2,000 tons down to less than 1,000.

Mr. WACHTER. You never have any trouble in manning them, do you?

Mr. DORR. No, sir; we never have any trouble at all in manning them, because the fishermen act as sailors, and they outnumber the requisite number of sailors for an ordinary voyage. We always have a surplus of sailors.

Mr. BIRDSALL. What is your complete tonnage engaged in that business?

Mr. DORR. The complete tonnage on the coast, sir?

Mr. BIRDSALL. Of your company.

Mr. GOULDEN. Of your 90 vessels.

Mr. DORR. I think it is about 40,000 tons; practically that, including a few we charter.

Mr. HINSHAW. Where do you get the market for the most of your product?

Mr. DORR. In the United States and the United Kingdom, mostly. A considerable portion of it, however, goes to Australia; some to South America, and a very little to the Orient.

Mr. HINSHAW. How do you transport that that goes to the United States?

Mr. DORR. Around the Horn by sailing vessel; sometimes by Panama, and largely by rail.

Mr. HINSHAW. More than half of it by rail?

Mr. DORR. Yes, sir; for the reason that it is distributed in the intermediate States. That which comes to the Atlantic coast chiefly comes by water. To that extent, possibly, we are interested in the around-the-Horn shipping.

Mr. HINSHAW. Then that part of your product which you ship to the United States by water of course goes in American vessels in the coastwise trade?

Mr. DORR. Entirely, sir.

Mr. HINSHAW. And that part of it which goes to the United Kingdom of course goes in foreign vessels?

Mr. DORR. Yes, sir; that goes around the Horn by cargo in foreign vessels.

Mr. HINSHAW. And how do the rates of transportation compare in the two instances?

Mr. DORR. The rates of transportation, going back over a period of five years, I think I am safe in saying, are about the same whether to Liverpool or New York. Rates frequently vary, however. I have seen the rate as low as 15 shillings on salmon from San Francisco to Liverpool, and I have seen it up to 40 shillings. I have seen the rate around the Horn as low as \$5 a ton to New York, and again correspondingly as high as the English rates.

Mr. HINSHAW. Do you have any difficulty in getting American tonnage to take the product to New York?

Mr. DORR. We do; yes, sir. Lately it has been very scarce. Even when I left home there was a scarcity of tonnage for that purpose.

Mr. HINSHAW. Do you come in competition with the British Columbia vessels from the upper coast there to New York points?

Mr. DORR. Not at all, because there is a protective tariff on our commodity which precludes their competing with us in this market. We do, however, in some of the British possessions, come into serious competition with them, or they with us, because in certain instances (which I could give you if I had time) they have enacted preferential duties in favor of their own product, and we have to make an extra allowance in order to overcome that difference in the duty. So far as England itself is concerned, there is no import duty. It is free to us and it is free to them.

Now, gentlemen, on the subject of this bill generally: I have lived on the Pacific coast a good many years, principally at Puget Sound, though for the last five years in San Francisco, and I think I know the feeling of our people on this class of legislation. When I say "our people," I mean the people who live on the Pacific coast, taking them as a whole. I know that there are isolated cases of differences of opinion, and all that, but I am here to say to you that, in my judgment, in my opinion—and there are some gentlemen here who have known me a good many years; Mr. Humphrey, Mr. Kahn,

and Mr. Cushman, who was here a moment ago, who, I think, will concede that I am at least fairly capable of judging—I believe honestly and sincerely that the great majority of our people, independent of any political views they may have on other questions, are earnestly and honestly in favor of legislation along these lines.

I can not say that they know the exact terms of this identical bill, because probably this identical bill has not come to their attention to such an extent that they have been able to analyze it, and only a few people may have read it. But for years and years they have been looking to something of this kind as a relief to the decadence of the merchant marine on the Pacific coast and elsewhere, and we know—I have already answered the question of the gentleman here—that tonnage is gradually and surely leaving that coast. I know from our own experience that within the last four months we have been compelled to buy three new ships—that is, three new to our fleet—because if we did not purchase them they were going around the Horn with lumber, then to be dismantled and go into the coal-barge business as hulks on the Atlantic coast. The class of vessels that we use are becoming very, very scarce.

With respect to the contention of Mr. Skinner, who represents, with a number of other gentlemen who are here, the lumbering interest up there, I want to say just a word. I am not identified with that interest. These gentlemen have asked me to say something for their proposition, and I am only too glad to do it, because I have grown up with them. I know their business and I understand their conditions. They have built on Puget Sound and in Oregon and northern California the greatest lumbering mills in the world, and if this bill should pass without some amendment that will protect that Puget Sound and Oregon and California trade in lumber against the favors that it will confer upon British Columbia ships across the line it certainly will be greatly to their disadvantage.

The chairman asked Mr. Skinner whether the tariff duty did not regulate that. No, sir; it does not, for this reason—that the tariff duty is not commensurate with the subvention. Assuming that the ship shall receive \$5 (the maximum subvention) per ton, a ton is equal, as I understand it in measurement, to about one-half of a thousand feet of lumber in space in the vessel. Now, the tariff on the low grades of lumber or the large sizes of lumber is only 83 cents a thousand. You can see at once, gentlemen, that somebody has an advantage over somebody else, and the person who is at the disadvantage is the man with the lumber mill on this side of that imaginary line between the United States and British Columbia.

Mr. SKINNER. Mr. Dorr, may I interrupt you for a moment?

Mr. DORR. Certainly.

Mr. SKINNER. You have said that that disadvantage would accrue if the subsidy applied to the British Columbia manufacturer. Does it not also accrue from the fact that he is entitled to use all of the foreign bottoms of the world in competition with us, and we have to pay three or four or five times as much as the duty to get American bottoms, if we can get them at all?

Mr. DORR. There is no doubt about that.

Mr. SKINNER. And if the subsidy does not apply we are still at that great disadvantage?

Mr. DORR. Of course. This question of shipping and the value of

tonnage fluctuates very rapidly. We charter about a dozen sailing vessels in our business, and we have had to pay for this season's charters approximately 50 per cent more than we paid last year, and it is due, in my judgment, to three things:

First, to the declaration of peace between the Russian and Japan Governments, which immediately opened up the prospects for trade offshore.

Second, to the demand for lumber that has sprung up recently on the Atlantic coast, opening up a market for our western coast products.

Third, possibly to some extent to the prospect of this bill becoming a law, as it is not unlikely that the very prospect of this legislation has to a certain extent stimulated shipping.

I believe, however, as has been said by Mr. Loud this morning—and I would like to emphasize and indorse what he has said, if I could, if I had the ability to do it—that it is the duty of this Congress to say “yes” or “no” on this proposition. If we are not going to have subsidies or a policy of subventions built up for the benefit of the shipping industries of the American people, let Congress say so, and then we will know and act and govern ourselves accordingly. But, gentlemen, it is absolutely wrong, in my judgment, to have this matter dragging along year after year in an unsettled condition. The subsidy policy should either be established or rejected without any unnecessary delay whether it is predicated upon the ground of assistance or encouragement.

Mr. GOULDEN. Encouragement? [Laughter.]

Mr. DORR. Yes; or encouragement; because the people are in a state of expectancy and they do not know what to do. That is the fact about it. I know personally, as nearly as a man can know without being closely in touch with the internal workings of the offices, that the big steamship companies on the Pacific coast are in a desperate condition. I believe absolutely that the statement that was read here by Mr. Congressman Humphrey this morning, from the president of the Boston Steamship Company, is true, not only as to that company, but as to every other company that exists on that coast.

Mr. HINSHAW. Did you say a minute ago that you thought one of the reasons why tonnage had advanced about 50 per cent this year was because of the favorable prospects for the passage of this bill?

Mr. DORR. I think that had something to do with it. Now, that is only my opinion, but I think it had a whole lot to do with it.

Mr. HINSHAW. Do you think the passage of the bill would augment the charters of freight vessels?

Mr. DORR. I certainly do.

Mr. BOWLES. That is, for your own trade?

Mr. DORR. Yes, sir; for our own trade.

Mr. SKINNER. Until such time as we can build enough vessels?

Mr. DORR. Of course, until such time as the supply gets up with the demand.

Mr. SKINNER. We are building steam schooners there now.

Mr. DORR. Yes; and our steam schooner trade to-day is good on that short stretch of coast; but that steam schooner trade does not go around the Horn, nor through the Straits; it does not go off the shore.

Mr. BIRDSALL. Where does your company do its fishing?

Mr. DORR. In Alaska, principally, and in Puget Sound to a consid-

erable extent. We operate three canneries on Puget Sound and about twenty in Alaska. We are only one of a good many other companies which are engaged in the same line of business, sir.

Mr. BIRDSALL. Your operations would not fall within the term "deep-sea fishing," I assume?

Mr. DORR. I am afraid not. I can not see that this bill would affect us either way.

Mr. BIRDSALL. Do you do any fishing of that character?

Mr. DORR. No, sir; we do not ourselves; but there are a good many who do fish for cod and halibut, sailing out of Puget Sound and San Francisco.

Mr. FURUSETH. And whales.

Mr. DORR. Yes; whales and seals. Of course all the sealers might not apply for the subvention, however—

Mr. BIRDSALL. You have no idea of the amount of tonnage engaged in that kind of business on the Pacific coast, have you?

Mr. DORR. By our own company?

Mr. BIRDSALL. No; any shipping, all shipping.

Mr. DORR. There is considerable engaged in codfishing. I think there are thirty-odd schooners that go codfishing from San Francisco.

Mr. FURUSETH. Between 30 and 40.

Mr. DORR. Between 30 and 40 out of our port. Then there are a number more that go out of Puget Sound.

Mr. FURUSETH. There are some 50 or 60 whalers.

Mr. DORR. There is a very large codfish bank in Bering Sea. It is estimated by Government experts who have given the matter close attention that there is 1,000 miles square of codfish banks in Alaska; that business is growing very rapidly. This would help them, and I am glad to see them helped, because they need it.

Mr. MINOR. Upon what theory do you base your statement that the prospect of the passage of this bill has enhanced freight rates up there?

Mr. DORR. I think that those things have their influence upon business, and I think that they may have had their influence in this case; that they had an influence in that direction; it frequently happens that people do things without really knowing why. Now, I may be entirely wrong about that, but—

Mr. MINOR. The tonnage has remained about the same?

Mr. DORR. Oh, yes.

Mr. MINOR. The business has remained about the same?

Mr. DORR. No, sir; business has improved. Foreign freight rates have advanced. Tonnage for the United Kingdom is very scarce at the present time.

Mr. MINOR. Have those rates advanced to foreign countries?

Mr. DORR. Yes, sir.

Mr. SKINNER. About 10 shillings in the last year.

Mr. DORR. They are up to what figure—44?

Mr. SKINNER. I think during the last year they have advanced from 30 to 31-3 shillings to Shanghai to 42-6. The rate from Sydney has advanced in the last year and a half from 27-6 to 35 to 36-3. The reason why Mr. Dorr's rates have advanced is, I think, to a certain extent, because the same vessels that he uses could go offshore under the present rates and do a little better than they could a year ago.

Mr. MINOR. The fact is that all ocean rates have increased since 1901, is it not?

Mr. SKINNER. Except in the last year. They were very low last year and the year before—the lowest we ever knew.

Mr. HUMPHREY. Has not the greatest advance in the Pacific coast freight rates been made on wheat by the combination of these foreign vessels?

Mr. DORR. There is no doubt about that.

Mr. HUMPHREY. They have increased it over 100 per cent.

Mr. DORR. That seems to be well established.

Now, Mr. Chairman, I thank you for having heard me, and I want to say in conclusion that, in my judgment, the commercial side of this question as compared with the patriotic side is comparatively of slight consequence, notwithstanding that tremendous interests are involved. But as an American citizen I can not help but feel the humiliation that must overwhelm our nation with shame to see our flag disappear from the high seas.

STATEMENT OF FRANCIS T. BOWLES, ESQ., PRESIDENT OF THE FORE RIVER SHIPBUILDING COMPANY, AND FORMERLY CHIEF OF THE BUREAU OF CONSTRUCTION AND REPAIR OF THE UNITED STATES NAVY.

Mr. BOWLES. Mr. Chairman, I represent the Fore River Shipbuilding Company, of Quincy, Mass., one of the largest shipyards on the Atlantic coast, which has been built up under the stimulation of the building of the Navy. While my motives in asking you to pass this bill may be apparent, I wish to explain somewhat the way they appear to me.

We wish to have enough business in the shipyards of this country to be able to make a little money for our employers. We also have a professional interest in being able at some time to build as good merchant vessels at as cheap a price as they do in England. We have had, through the liberality of Congress, an opportunity to come into competition with the English people in the design of war vessels, with results that we hope are satisfactory to Congress. We believe that with the opportunity which this bill would promise similar things can be accomplished.

I believe that the reasons for acquiring a merchant marine in the foreign service divide themselves into three principal ones:

The first reason is that the over-sea traffic is an industry which is desirable in itself as an activity for the American people as an income-producing business, and in order to show how that appears to the shipbuilder, and what the interests of the people at large are in the shipbuilders' work, I can tell you that to a shipyard the cost of a vessel is about equally divided between wages and materials. Of those materials for vessels suitable for over-sea traffic about 10 to 15 per cent goes into structural steel and from 35 to 40 per cent into miscellaneous materials, most of them the finished product of almost every mechanical art purchased throughout the country.

The second important reason for acquiring a merchant marine is as an insurance against disturbance of our over-sea traffic. During the year 1905 the people of the United States imported and exported

about \$2,600,000,000 worth of goods. Now, let us imagine for a moment what would be the condition of that trade if a war were to occur between the countries now engaged in doing that business for us. Suppose, for instance, that a war occurred between the two nations now doing the greater proportion of that work, England and Germany. The first thing that would occur would be that each of them would withdraw from its own merchant service those vessels built under the special supervision of its navy department for auxiliary service, which would probably be the best of the vessels for service as transports and as auxiliary cruisers.

The balance of the merchant fleets of those nations would be subject to the risk of belligerents, even if carrying neutral cargoes. Our freight rates would be immediately increased, if it were only due to the reduction in tonnage. The insurance might become prohibitive for classes of goods which would simply perish on the hands of their owners in this country.

That is a state of affairs which the merchants of this country can not afford to consider with equanimity. What possible remedy for it would there be to-day? It might be said that we might, under such stress, admit foreign vessels to the American flag. But it is extremely doubtful if such an act, under such circumstances, would be regarded as binding upon either belligerent. Cases did occur during the civil war where a transfer of flag was not recognized; where vessels under the English flag, which had been run up in place of our own, were destroyed, and no claim was ever made by the British Government. That is exceedingly liable to occur again. Even supposing that a large foreign tonnage was admitted to our registry, where are the men to operate them? Would any belligerent respect the American flag carried on a German vessel operated by a German crew? It is certainly most improbable.

The CHAIRMAN. Admiral, may I ask you this question: Suppose a war should occur between ourselves and a foreign country, which would become a war on the sea, as it must, practically?

Mr. BOWLES. Mr. Chairman, that is the third important reason why I believe it is good business policy for this country to acquire a merchant marine. If we become engaged in war, our Army will absolutely require the means of quick transportation of men and food for them; the Navy the transportation of coal, of supplies, and the auxiliary service. Those things are absolutely fundamental conditions in the carrying on of war.

The only suitable, sensible, and proper way of acquiring those necessities is through our own merchant marine. It is the cheapest and the best way, from every consideration. Therefore, I believe that it is not only wise to invest some of the nation's money in establishing an over-sea traffic under the American flag from the point of view of absolute business policy, but I believe it to be the plainest common sense from the point of view of insurance of our over-sea traffic and of national defense.

The CHAIRMAN. In case of war, what do you say about our capacity now to immediately man our own naval ships—our own war ships?

Mr. BOWLES. The facts are that we have not at the present time either enough men or enough officers to man the vessels that we have. The delivery of every new vessel is accompanied by the putting out of commission of some other vessel now in service. I wish to say, Mr.

Chairman, that I heartily indorse the feature of this bill creating a naval reserve, not only from the point of view of national defense, but because I believe that the association which it will naturally bring about between the naval forces, the naval officers and seamen, and the officers and men of the merchant marine, will be a good thing for both. It will take some of the starch out of the Navy and it will teach the merchant marine some things which they can learn. That is the experience of every country that has tried it.

I have only one more thing that I wish to say to you. There have been various questions raised here about the influence of the cost of structural steel upon our present situation. I have had an instance within my own knowledge of the building of a vessel in our shipyard from English plans, in which I knew the exact cost of that vessel in an English yard. We took the greatest pains with our ship, not only to keep an accurate account of the cost, but to keep it as low as possible. The actual facts there were that that ship cost us 50 per cent more in our own yard, the cost being kept exactly in the same way as it was on the other side.

Mr. GOULDEN. How long ago was this? When did this occur?

Mr. BOWLES. It was for a ship completed last December.

Mr. GOULDEN. December, 1905?

Mr. BOWLES. Yes.

Mr. SPIGHT. I understood you to say a while ago, Admiral, that the difference in the cost of wages and the cost of materials was about equal. Did I understand you correctly?

Mr. BOWLES. No; I did not make that statement.

Mr. HINSHAW. This difference of 50 per cent is almost entirely in the wages, is it?

Mr. BOWLES. I am unable to state exactly, but from what I can find, the wages in our yard are from 50 to 75 per cent higher than they are in the English and Scotch shipyards.

With regard to materials at the present day, the state of affairs is this: Steel delivered in an English shipyard costs from 15 to 20 per cent less than ours at the present time. On other materials the difference is greater. I want to keep my percentages applied in the same way, so I will say this: The cost of steel delivered in our shipyard is from 15 to 20 per cent greater than the price to-day of steel delivered in an English shipyard.

Mr. HINSHAW. By English manufacturers?

Mr. BOWLES. By English manufacturers. For the English steel delivered in our own yard, the price is almost exactly the same to-day as if we bought it in Pittsburg.

Mr. GOULDEN. Delivered on the ground?

Mr. BOWLES. Delivered on the ground.

Mr. GOULDEN. In both cases?

Mr. BOWLES. In both cases.

Mr. WACHTER. What makes that difference, Admiral?

Mr. GOULDEN. There is not any difference.

Mr. BOWLES. The difference between the cost—

Mr. WACHTER. Delivered in London.

Mr. BOWLES (continuing). Delivered in our yard and delivered in England is covered by the freight and insurance and transfer.

Mr. WACHTER. But the difference over there, the reason they can deliver it so much more cheaply to the English yard than our manu-

facturers can to our yards is because of the difference in the cost of labor, is it not?

Mr. BOWLES. Yes. Now, the price of steel has not a great influence upon the cost of the vessel, which you can see from the fact that in an ocean-going steamer the proportion of the cost of the structural steel to the whole cost is about 15 per cent. A small variation in the price of steel will, therefore, you see, produce a very small variation in the total cost of the ship.

Mr. GOULDEN. Admiral, at the outset of your remarks you spoke of the merchant marine of England and Germany. As a naval man, well informed, as I know you are, can you tell us what percentage of the merchant marine of those countries would be available and efficient in time of war as auxiliary cruisers?

Mr. BOWLES. I could not, from memory, make such a statement.

Mr. GOULDEN. Have you any idea of what it would be—any estimate? I do not ask that you shall be entirely correct as to the percentage; but I want to know, for my own information, about what per cent of vessels now in the merchant marine of England and Germany would be available as cruisers auxiliary to the navy in time of war, should a war occur.

Mr. BOWLES. If you will limit your question solely to use as cruisers—

Mr. GOULDEN. Yes; to cruisers and auxiliaries, as part of the auxiliary fleet; because they must be rapid.

Mr. BOWLES. Not necessarily.

Mr. GOULDEN. For transport service they ought to be.

Mr. BOWLES. Not necessarily. The greater portion of the vessels taken by the English in their war in South Africa were moderate-speed vessels.

Mr. GOULDEN. I know; but they did not have any navy to contend with.

Mr. BOWLES. In the case of the Russians, the vessels that they bought were all of moderate speed, because the navy was slow.

Mr. GOULDEN. The result showed it, too. [Laughter.]

Mr. MINOR. Nearly all those great liners would be available, would they not?

Mr. BOWLES. Every one of the great liners would be of great value as auxiliary cruisers.

Mr. GOULDEN. But it would be a comparatively small per cent of the entire fleet?

Mr. BOWLES. It would be a large per cent of the tonnage.

Mr. GOULDEN. But not of the entire number of vessels?

Mr. BOWLES. No.

Mr. WACHTER. Admiral, you were in the Navy Department during the Spanish war, were you not?

Mr. BOWLES. I was at the New York Navy-Yard during the Spanish war.

Mr. WACHTER. I mean in the service.

Mr. BOWLES. I was in the service.

Mr. WACHTER. Can you tell us about how much money the Government expended in buying foreign vessels at that time?

Mr. BOWLES. I had nothing whatever to do with the purchase of foreign vessels.

Mr. WACHTER. Did you ever hear?

Mr. BOWLES. I was the constructor of the New York Navy-Yard and fitted out for service 43 of those that were bought; but I had nothing whatever to do with their purchase.

Mr. SPIGHT. Admiral, did I understand you to say that the cost of English steel in our yards is about the same as the cost of American steel?

Mr. BOWLES. Yes, sir.

Mr. SPIGHT. And yet in the British yards the English steel costs from 15 to 20 per cent less than ours?

Mr. BOWLES. Yes.

Mr. SPIGHT. Now, why is that?

Mr. BOWLES. That is because that difference to us would be absorbed in freight, insurance, and handling.

Mr. SPIGHT. It would cost 15 or 20 per cent to get it here?

Mr. BOWLES. Yes.

Mr. MINOR. Admiral, what is your opinion as to the benefits that would arise from the passage of this or a similar bill to the merchant marine? In your judgment, would it assist in building it up, in increasing the number of ships?

Mr. BOWLES. I believe that this bill would have an excellent result. I believe that it would be the means of building up the merchant marine for over-sea traffic.

Mr. MINOR. Mr. Chairman, the gentlemen from the Pacific coast would like to have an opportunity to extend their remarks in print.

The CHAIRMAN. I have said that they can file any brief or statement of facts or argument that they wish, and it will be printed.

(The committee thereupon went into executive session, after which it adjourned.)

THE PENDING SHIPPING LEGISLATION.

By Hon. W. E. HUMPHREY, of the *Merchant Marine and Fisheries Committee of the House of Representatives.*

[From the North American Review of March, 1906.]

There is pending in Congress, now being debated in the Senate, a bill that should appeal to the commercial interests, the patriotism and the pride of the American people. The object of this bill is to restore our flag to the seas.

The condition of our foreign shipping had aroused the most serious apprehension of Presidents McKinley and Roosevelt. Each urged Congress to do something to rehabilitate it.

On the 28th of April, 1904, in accordance with the recommendation in the message of President Roosevelt of December 7, 1903, an act was passed by Congress creating a Merchant Marine Commission, consisting of five Senators and five Representatives. The duty of this Commission, as defined by the act, was to investigate the condition of our shipping and report to Congress what legislation, if any, was necessary for the development of our merchant marine and American commerce.

CONDITIONS.

This Commission held meetings in all the principal seaports of the United States. Our foreign trade last year amounted to more than \$2,240,000,000, the balance of trade in our favor exceeding \$400,000,000; yet of this vast trade only about 7 per cent was carried under the American flag. More than \$500,000 in gold each day is taken from the Treasury and paid to the foreigner for carrying our commerce. Ninety per cent of this vast sum is wages paid to foreign labor. Our flag has practically disappeared from the sea, and, except upon a battle ship or private yacht, it is unknown in most of the ports of the world. During the year 1903 not one vessel flying the Stars and Stripes engaged in the foreign trade was seen in the port of Philadelphia—the second port of the country. There is but one port in America where more tonnage is carried in American than in foreign bottoms, and that is the extreme northwest port of the United States—Puget Sound.

This nation to-day, with all its vast wealth, unlimited resources, and mighty commerce, has actually 108,000 tons less engaged in foreign trade than it had ninety-five years ago. Within the last two years Germany alone, with a population of only 53,000,000, has built more tonnage than the entire tonnage of this country. We have naval vessels to-day that we are not able to furnish with crews. If war should come to-morrow we would have magnificent vessels of war without men to man them. Had we lost a single first-class fight-

ing ship in our brief war with Spain we could not have furnished officers and crew for another. These are some of the alarming, humiliating, discreditable conditions which the Commission found.

WHY OUR MERCHANT MARINE HAS DECLINED.

The cause of the decline of our merchant marine was made plain to this Commission by the testimony given before it. It costs from 40 to 100 per cent more to build an American ship than a foreign one of the same class. It costs from 20 to 40 per cent more to operate an American than a foreign ship. All other countries, with any attempt at commerce, pay subsidies. One concrete, graphic illustration eloquently tells the story of the rapid disappearance of American shipping. The Boston Steamship Company has a fleet of 5 magnificent vessels running from Seattle to the Orient. Starting from the same wharves, bound for the same oriental ports, is a line of Japanese ships consisting of 3 vessels. Directly on their way to the sea, this American line comes into competition with a line of British steamers, consisting of 3 vessels, running from Vancouver, B. C. Character of ship considered, the Japanese owner has one-half less and the British one-third less invested than the American owner. The cost of running each of these foreign lines is at least 20 per cent less than that of the American vessels. Added to this tremendous handicap the Japanese line receives an annual subsidy of \$333,500, the English line \$300,000, while the United States last year paid to the American line of 5 vessels the proud sum of \$4,935. Against such fearful odds as these no human endeavor can long prevail.

FREE SHIPS.

The facts developed by these hearings destroyed many previous opinions and dearly beloved theories. When the Commission was formed some of its members believed that the remedy was free ships. At the hearings practically every shipowner and shipping interest in America was asked: If given the opportunity would they purchase foreign ships, other conditions remaining the same as they now are? The one answer given was "No." Invariably they declared that, if given the ships for nothing, they could not operate them at a profit. This statement was vividly corroborated by what the Commission saw, for in many ports were found good vessels, fitted for the foreign trade, out of commission; indefinitely swinging at anchor, where they had been driven by the foreign subsidized vessels.

DISCRIMINATING DUTIES.

This was the most deeply cherished and most firmly believed in of all the preconceived remedies by the members of the Commission. The majority of the Commission believed in the beginning that discriminating duties would be the solution of the problem. But it was found that 47 per cent of our imports were on the free list. The Democratic members of the Commission, true to the ancient doctrine of free trade, could not consent to a duty on articles already free. The Republican doctrine had always been against a duty on noncom.

petitive articles, and as most of this 47 per cent was of that class the traditions of both great parties forbade discriminating duties. On exports, of course, no discriminating duties could be laid; and this was the traffic which it was most desired to increase.

When the Commission reached the Pacific at Puget Sound it discovered that if a 10 per cent discrimination on imports were to be made in favor of American vessels it would amount to only \$70 each. Or, in other words, one of the Boston Steamship Company's great steamers of 10,000 tons would receive the tremendous advantage of \$70 for a 12,000-mile voyage, probably enough to pay the second cook.

After the meeting at Seattle, the first on the Pacific, the theory of discriminating duties was abandoned by the Commission.

THE NAVY.

In recent years four nations by great expenditures have, theoretically, become great naval powers—Germany, Russia, Japan, and the United States. Two of these nations—Germany and Japan—realizing the futility and the folly of a navy without trained sailors and without auxiliary reserves, as they built a navy built a great merchant fleet. The United States and Russia are the only nations that have committed the inexcusable and costly blunder of trying to create a navy without men to command it and without auxiliary ships to support it.

The sunken and captured vessels of Russia's paper navy tell in graphic story her costly and humiliating mistake. It was the subsidized ships of Japan that carried her troops and supplies to Manchuria and made possible her brilliant victories on land; and the trained seamen from the subsidized vessels of Japan manned the fighting ships that destroyed the Russian navy.

The subsidy bill under which Japan has built her great merchant marine passed her legislative body by unanimous vote. Will the United States profit by the wisdom of Japan or the blunders of Russia? Unless we do, the \$100,000,000 annually spent for our Navy is worse than wasted. We have already more ships completed than we have men to command. We have no auxiliary fleet. We are in a condition to-day as bad as was Russia at the beginning of her late war.

THE ARMY.

In our war with Spain we exposed our troops to great peril and distressing hardships in getting them to Cuba. After twenty days of effort and after all the American vessels on the Atlantic had been secured we only had sufficient to carry about 10,000 troops. That this fleet arrived in safety was entirely due to chance. This expedition, according to a report of the Department of War just made public, could only justify its starting by its safe arrival. To-day we are utterly powerless to protect our foreign possessions in case of war. We have no American ships to carry troops or supplies, and the law of nations, if it were otherwise possible, prevents us from securing foreign ships. If any country wants to fight with us, she will have to seize one of our possessions, and then kindly give us time to get ready. The often-heard boast that we are to-day a world power is grotesquely egotistical.

THE FOREIGNER CONTROLS OUR COMMERCE.

It must not be forgotten that, with a complete monopoly of our carrying trade in the hands of the foreigner, we are helpless to defeat any combination or trust that might be formed against our commercial interest. Lest such statement might provoke a smile of incredulity from the enemies of American shipping it may be stated that a combination of this character has not only been contemplated, but now actually exists on the Pacific coast among the foreign sail vessels. These vessels have entered into an agreement that while from a foreign port each vessel may charge such rate as it sees fit, from American ports no vessel is permitted to carry freight for a less price than that fixed by the combine, and the rate so fixed is considerably higher than the prevailing rate when such combine was formed. This combination of foreign vessels, upon which by our own acts we are now almost entirely dependent, is a disgraceful menace to American commerce. It shows that our foreign commerce to-day is entirely at the mercy of foreign nations. During the little Boer war England withdrew a sufficient number of ships to increase freight rates from some of our ports 150 per cent. Every industry felt the effect. On the Pacific coast it reduced the price of wheat of the American farmer 25 cents per bushel.

What would be our condition to-day in case of war between England and Germany, or between either of them and any other great nation? Our foreign markets would be paralyzed; our farm products would rot in the field; the machinery would rust in our mills; factories would close their doors; labor would be forced into idleness; there would be want and suffering beyond description. Industrially we would suffer all the horrors and consequences of war. Can any candid judgment contend that shipping is the only industry in America which is interested in American commerce being carried in American ships?

FAILURE OF THE REPUBLICAN PARTY.

The one conspicuous and disgraceful failure of the Republican party is the present humiliating condition of our merchant marine. This condition is entirely due to the system of protection as applied and retained by the Republican party. Every other industry has been protected from the deadly curse of foreign cheap labor. But the shipping industry, wholly unprotected and subjected to the fiercest and most direct foreign competition of all, on the one hand, has been compelled, on the other, to employ high-class protected labor to build and to operate its ships. If this country had absolute free trade in all industries and in all commodities, notwithstanding the handicap of subsidy, our shipping would care for itself. If it has extended to it the same measure of protection that is extended to other industries, it will flourish.

BILL REPORTED BY THE COMMISSION.

The bill reported by the Commission provides for the payment of subventions to ten mail lines, to be established as follows: Three from the Atlantic coast, one to Brazil, one to Argentina, and one to South

Africa; four from the Gulf of Mexico to Brazil, Mexico, Isthmus of Panama, and Cuba, respectively; three from the Pacific, one to Mexico, Central America, and the Isthmus of Panama, one to China, Japan, and the Philippines via Hawaii, and one direct to China, Japan, and the Philippines. For these lines the maximum compensation under the bill is: Atlantic, \$1,050,000; Gulf, \$475,000; Pacific, \$1,140,000—a total maximum of \$2,665,000.

The bill also provides a compensation of \$217,000 to the Oceanic Line between San Francisco and New Zealand and Australia.

The policy of mail subventions is not a new one in the United States. The most important contract of this character was consummated during the Administration of Grover Cleveland. This feature of the bill received the unanimous indorsement of the members of the Commission, both Democrats and Republicans. The vessels receiving these compensations must not only carry the mails, but the ships in the new lines must be built under the direction of the Navy Department with reference to their use in time of war, and all vessels receiving such aid must also carry an increasing proportion of their men who are naval volunteers. The other feature of compensation provided for by the bill is the payment of \$5 per gross ton to any vessel, steam or sail, of any size, engaged for a year or more in the foreign trade; if engaged for a shorter time than one year, they receive less compensation. No vessel can receive this subvention for a longer period than ten years. The special object of this section of the bill was to help the slow cargo ships—the pioneers of commerce, the “delivery wagons” of the seas. No vessel receiving mail subventions can participate in this tonnage compensation.

ARGUMENTS AGAINST THE BILL.

Two arguments are most frequently urged against the bill, although the first of these, that our people have such opportunities on land that they have not seen fit to turn their attention to the sea, hardly merits the dignity of being called a reason or an argument. The fierce struggle for existence of our few remaining ships, and the millions of American money invested in foreign ships, certainly dispose of this statement. But the argument most used and most relied on by the enemies of this measure, both foreign and domestic, is, If the foreigner can do our carrying cheaper, why not permit him to do it? This theory is and ever has been the foundation of the doctrine of free trade. This doctrine has been met and answered by every protectionist in the Republic, from Alexander Hamilton to William McKinley. In recent years this argument was the one advanced in opposition to placing a tariff on tin plate, and it has been at various times advanced against every protected article that ever appeared on a tariff schedule; and the history of every article upon which a protective tariff has ever been placed has demonstrated the falseness of the theory. If this argument be sound, the whole system of protection rests on a false foundation. A Democrat can take the affirmative of this proposition with consistency, but the Republican who does so is at war with all traditions and principles of his party.

CAN THE FOREIGNER DO OUR CARRYING MORE CHEAPLY?

We have protected for many years our manufactures, and we can produce manufactured articles more cheaply than any other nation. We protect agriculture, and the products of the soil are produced more cheaply here than anywhere else. We have protected our railroads by enormous subsidies and by immense land grants, and our railway rates are the cheapest in the world; and yet in each of these industries the labor employed therein is the best-paid labor of its class upon earth, and capital invested therein receives a fair return.

United States shipping in coastwise trade and on the Great Lakes is absolutely protected from foreign competition, yet the freight rates upon the Lakes and in our coastwise trade are to-day, and for many years have been, the lowest in all the history of commerce; and let it not be forgotten that, at the same time, the sailors on the Great Lakes and in our coastwise trade are the best paid and fed seamen that ever manned a ship.

The history of every other industry in this country demonstrates that the foreigner can not carry our trade more cheaply than we can do it ourselves; and the history of shipping itself, where protected, is an unanswerable argument against this contention. These facts demonstrate that the shipping industry, like every other industry, if given the same protection and encouragement, would drive the foreigner from our ports, restore our flag to the sea, and at the same time would reduce freight rates, widen our markets, and increase the wages of labor.

THE COST.

The cost of carrying out the provisions of this bill will, no doubt, be one of the most fiercely assailed and most grossly exaggerated by the agents of foreign steamship companies, who have had the audacity to oppose any legislation in behalf of American shipping, even in the committee rooms in the Capitol at Washington. This point also will be the principal one of attack by the free traders. The Commission has had careful estimates made upon the question, and the net cost to the Treasury, should the bill go into effect in July, 1906, as contemplated, could not exceed for the ten years \$40,000,000; and in order to reach this amount every steamship line contemplated must be established and at least 1,500,000 tons of new shipping must be added to our foreign fleet.

PURPOSES OF THE BILL.

The great purpose of this bill is to give increased markets for the products of the field and factory; to increase American commerce; then to provide and man an auxiliary fleet for our Navy, and last, to aid shipping. Will this purpose of the bill be accomplished? It has always been argued that every vessel in a foreign port is an advertiser of home industries, and that the most powerful developer of foreign trade is regular steamship lines.

Upon this proposition I ask consideration of the following facts: In 1886 Germany established a steamship line to the East Indies. In two years her export trade on these ships was 27,369 tons; in eight years it had increased to 89,148 tons. So well satisfied was Germany

with this East Indian line that in 1890 she subsidized another line running to East Africa. The receipts of this line increased from 453,000 marks in 1892 to 1,476,000 in 1898. The subventions to both these lines were increased and renewed for fifteen years in 1898.

The tonnage of Japan has increased from 200,000 tons in 1896 to 830,000 tons in 1904. Her commerce has increased from \$153,251,000 in 1896 to \$342,160,000 in 1904. Her commerce has increased in harmony with the growth of her tonnage.

From San Francisco a line of subsidized ships runs to British Australasia. The exports on this line have increased from \$12,674,000 in 1896 to \$27,401,000 in 1904. No line of American steamships runs from the United States to Brazil. Our export trade with that country has decreased from \$15,000,000 in 1895 to \$10,000,000 in 1903. During the same period our exports to Canada increased from \$51,000,000 to \$161,000,000, and to Mexico from \$12,000,000 to \$41,000,000. But we have American means of transportation; we own our "delivery wagons" by both land and sea to these two countries. The time was when there were American business houses in South America, India, and China. Then we had ships that sailed to these countries. When the American ship disappeared the business houses vanished. A few years ago the export trade of Puget Sound was practically nothing. In 1901 the Boston Steamship Company was established; the exports that year amounted to \$20,357,000. Last year it was \$50,000,000. Recently the two great Hill vessels have been put on between Seattle and the Orient, and the export trade of Puget Sound for the month of last November was \$6,247,783. For the coming year it will certainly reach \$75,000,000. This vast increase, that has benefited every interest, is almost wholly due to the expansion of our oriental markets by these American ships. This expansion especially benefited the farmers of the West, and it has benefited every wheat raiser in America. Mr. Hill recently stated that he would carry a barrel of flour from St. Paul to Hongkong for 80 cents. The great Boston line, established in view of the promises of the Republican party to assist shipping, has always been run at a loss, and is soon to be discontinued unless assistance comes. Mr. Hill stated in New York City, before the Merchant Marine Commission, that he would never build another ship in America so long as present conditions continued. The Japanese Government now has an option of purchase of the magnificent steamers of the Pacific Mail. Such is the shame of the situation of American shipping on the Pacific coast—the only place where an unaided attempt is being made to keep our flag on the seas. Most inexcusable and outrageous of all, the Government runs the antiquated transports, an inherited curse of the Spanish war, in competition with these Pacific lines, although it costs the Government 25 per cent more than it would to have the same service performed by private lines. This infamy is perpetrated on American shipping solely that petty Government officials and their friends may "junket" over the seas "deadhead," at Government expense. History demonstrates that as a nation's merchant marine has increased so has her commerce expanded. The experience of all nations demonstrates that trade follows the flag. Wherever our flag has gone our trade has increased. Wherever it has retired our trade has vanished. In view of these facts, who can doubt the wisdom of the words of the beloved McKinley in his last speech: "One of the needs of the times is direct

commercial lines from our vast fields of production to the fields of consumption, that we have but barely touched. Next in advantage to having the thing to sell is to have the convenience to carry it to the buyer. We must encourage our merchant marine. We must have more ships. They must be under the American flag, built and manned and owned by Americans."

THE RESULT.

Neither nations nor individuals can expect anything of value for nothing. This bill will cost something if its provisions are entirely complied with. The maximum amount for the entire period of ten years might reach \$40,000,000, as already shown. But the expenditures under the bill will be regulated by the new lines established and by the new ships that enter the foreign trade. Nothing will be spent until value received has first been given. Should this forty millions be spent, then let us pass from the picture of cost to the picture of results. It will add 1,500,000 tons to our foreign shipping. It will give investment to \$700,000,000 of American capital. It will give employment to 500,000 American workmen. It will keep at home more than half a million dollars in gold each day now sent to Europe. It will give to American labor \$1,000,000 in work, \$1,000,000 in wages each day that is now given to those in another land owing allegiance to another flag. It will widen our markets. It will increase our exports. It will reduce our freights. It will increase the price of what we sell. It will decrease the price of what we buy. It will build up our shipyards. It will increase the demand for labor. It will increase the wages of those who work. It will keep at home the stupendous sum of more than \$2,000,000,000, and give it to our own people. It will benefit all sections, all trades, and all classes. It will make us independent of every other nation. It will make our flag more revered at home, more respected abroad. It will give us an auxiliary that will make our Navy really great. It will protect us in war and add to our wealth in peace. It will make the great Republic truly a world power—the mightiest nation in all the history of the world.

AMERICAN SHIPPING.

REPORT OF THE COMMITTEE ON NATIONAL AFFAIRS UPON THE MERCHANT MARINE SHIPPING BILL (S. 529).

[The Republican Club of the City of New York, 54-56 West Fortieth street; R. L. Maynard, secretary; Henry E. Tremain, president. Committee on national affairs: Henry E. Tremain, ex officio, H. C. Backus, S. W. Bowne, Chas. H. Denison, J. E. Milholland, Alexander R. Smith, Henry L. Stoddard, F. B. Thurber, John H. Wood, A. B. Humphrey, Edward Lauterbach, Jas. S. Clarkson, Henry Gleason, Warner Miller, Scott R. Hayes, James Talcott, Joseph Ullman, Wm. Greenwood, secretary, Samuel S. Slater, John A. Sleicher, Ed. F. Cragin, A. F. Hagar, F. G. Smedley, F. C. Loveland, Henry Melville, F. Woodbridge, James W. Hawes, chairman.]

REGULAR MEETING,
March 19, 1906.

The committee on national affairs submitted the following report, which, after discussion, was unanimously adopted:

To the Republican Club of the City of New York:

Your committee on national affairs, having had under careful consideration the subject of our shipping in the foreign trade, its condition and needs, together with the bill now pending in the Congress of the United States (S. 529), the purpose of which is to remedy such condition and meet such needs, recommends that the club approve of said bill, and that it acquaint the members of the House of Representatives with these reasons, which follow, in support of such approval, in the hope that these reasons may commend themselves to the House of Representatives, to the end that, at the present session, the measure, which has already passed the United States Senate, may receive the approval of the House and the President.

In 1861 our shipping in the foreign trade was the greatest in the country's history. It aggregated 2,496,894 tons. For the fiscal year which closed on June 30, 1905, our registered over-sea shipping aggregated 943,750 tons. This shows that our shipping in the foreign trade to-day is but a trifle more than one-third what it was in 1861. At the latter date our deep-sea shipping carried 65 per cent of our foreign commerce; last year it carried but 12 per cent. Our shipping has not declined for the lack of commerce, as the value of our imports and exports in 1861 amounted to but \$584,995,066, while in 1905 their value was \$2,636,074,737.

Our foreign shipping under register last year was substantially less than that of the year 1810, ninety-six years ago.

When the first Congress met, under the present Constitution, in 1789, foreign ships carried the great bulk of our imports and exports, as they do now. Remedial measures, such as discriminating import duties, and discriminating tonnage dues, the denial of American registry to foreign-built vessels, all of a protective character, led to the rapid upbuilding of our shipping, so that in a short time our own vessels carried an average of 90 per cent of our imports and ex-

ports. So long as the protection remained our ships continued to carry this vast proportion of our foreign commerce. Nothing prospered like our shipping. It gave strength, wealth, prestige, and position to the nation and helped it fight its battles.

The history of American shipping is a record of the triumph of protection. In the years that it was protected it grew and prospered; in the years that it has been unprotected it has shrunk and has been unprofitable. Free trade has been the bane and protection the antidote of our shipping.

The Republican party is the party of protection, but it has neglected to give protection to our shipping upon the seas, although successive national platforms have pledged the party to the early enactment of such legislation as is necessary.

Successive Presidents of the United States from Jefferson to Roosevelt have expressed their deep concern for our shipping. It is painful to state that it has fallen to the lot of Republican Presidents to record a steady diminishing tonnage of American shipping in the foreign trade. In addition to President Roosevelt's recommendation to Congress at the present session that adequate legislation be enacted for our deep-sea shipping, three officers of his Cabinet join with him in calling attention to conditions and in urging remedies.

Two years ago President Roosevelt, who had pleaded with previous Congresses for the enactment of protective shipping legislation without result, called attention in his annual message to the fact that our people are a unit in behalf of an American mercantile marine, but are divided as to the method by which to secure it. He therefore recommended the appointment of a commission to investigate the subject and report to Congress. Promptly such provision was made. The Commission thus created consisted of five Senators and five Representatives, six Republicans and four Democrats. It held public hearings in the chief Atlantic, Pacific, Gulf, and Lake ports of the country, securing information and suggestions wherever obtainable, all of which is to be found in the three volumes of the Commission's report, copies of which are in the club's possession. This—the first—report was made to Congress in January, 1905, but as it was seen that no action on the measure was practicable at the last session, the Commission was continued, by special act, to report at the opening of the present Congress. This it did, in each case presenting a bill to carry into effect the recommendations of the report. All of these several reports are in the possession of the club, and have been consulted in the preparation of this report.

The Congressional Merchant Marine Commission's bill, although before the country for a year, has called forth unstinted praise and but little adverse criticism. It has been equally popular in Congress. It was referred to the usual committees at the last session, and promptly reported favorably to each branch. Not all of the minority members of the House committee to which it was referred concurred in the minority report, and in the Senate committee the minority report was signed by but six members. At the present session the Senate Commerce Committee favorably reported the bill, and after extended and full discussion it was passed on February 14, 1906, by a vote of 38 for to 27 against. As we write the House Merchant Marine and Fisheries Committee has not yet acted upon it. In all

probability it will again report it favorably, as it did at the last session, and it is hoped that it may receive early consideration and prompt passage through the lower House of Congress.

When the report of the Merchant Marine Commission was made a year ago the minority members objected to but one great feature of the bill, and even in that the minority was not united. No minority report has been made on the bill last presented to Congress by any member of the Commission.

The Merchant Marine Commission bill provides: (1) A national naval reserve drawn from our merchant shipping and fisheries, composed of 10,000 men, to whom shall be paid annual retainers, as is the practice in other countries, and who shall be subject to naval instruction and discipline and at the call of the Government in time of war. (2) The creation of new American steamship lines from Atlantic ports to South Africa, South and Central America; from Gulf ports to Cuba, Mexico, Central America, and to Brazil; from Pacific ports to Japan, China, and the Philippines, also from the Pacific coast to Hawaii, Japan, China, and the Philippines, and additional compensation to a line now running to Hawaii, Samoa, New Zealand, and Australia. The ships of these lines will greatly increase our foreign markets, afford a large number of vessels suitable for naval auxiliaries, troopships, colliers, and the like, besides affording employment for a large number of our shipbuilders, shipmasters, officers, and seamen. (3) The payment of \$5 a ton to cargo vessels engaged for a year in the foreign trade, \$4 if engaged for less than a year and more than nine months, and \$2.50 a ton if engaged for less than nine and for more than six months. This provides for cargo as distinct from mail-carrying vessels, and is the one feature of the bill which the Democrats oppose. The ground of objection is the alleged unconstitutionality of a bounty, although a bounty to American fishermen was provided for in 1792 and continued with several amendments, all under Democratic administrations, until 1866.

The minority, in lieu of this provision, last year recommended a return to the old policy of discriminating duties, so abridged, however, as to rob it of all its possible benefits. It proposed to make no discrimination in respect to our nondutiable imports, which constitute about 45 per cent in value and 65 per cent in bulk of all our imports. In respect to dutiable imports, if brought to us in the ships of the country of their growth, production, or manufacture, they were to enjoy the same reduction in duty that was proposed for American vessels. As most of our dutiable imports come from countries having a merchant marine of their own, naturally they would be sent here in their own ships, and American ships would gain no advantage there, and while the opportunities are much greater for American ships in the trade of those countries from which our nondutiable imports come, because those countries have little or no shipping of their own, in respect to such imports no discrimination was proposed. If a duty were placed upon such nondutiable imports when brought in foreign vessels it would soon divert such imports to American vessels, but the minority stated it would not consent to that.

The minority report submitted to the Senate on the pending bill recommends no alternative policy whatever, thus being radically different from that submitted a year ago. On the other hand, Sena-

tor Mallory, who is credited with the preparation of the Senate Commerce Committee's minority report, made an elaborate speech in the Senate advocating a complete readoption of the old discriminating import duties and tonnage-dues policy, without abridgment. But there is nothing to indicate that he is supported in that position by his colleagues on the Democratic side, except in the case of Senator Patterson, who advocated a reduction in duty on dutiable imports, but who proposed no change in respect to nondutiable imports.

In his speech against the bill Senator Mallory several times asserts that its provisions, as to subsidies for mail lines, and as to bounties for cargo carriers, are insufficient to attract American capital into them for the foreign trade. These statements, coming from a strong opponent of the bill, are deserving of reproduction.

As to the provision for cargo vessels, he says:

In the first place, the amount which is donated is too small. * * * Five dollars a ton in my judgment * * * and I know it can be demonstrated * * * for twelve months' service in running a ship of any size is entirely too small an amount to meet the disparity which exists between the operating expenses and the original cost of vessels in the United States and vessels under foreign flags. I do not believe, Mr. President, that \$10 would be sufficient to meet that disparity and put the American ship on an equality with the foreign ship. * * *

As to the provision for mail-carrying steamships, he says:

But the Senator (Mr. Gallinger, of New Hampshire) called my attention to the postal subsidy. I do not find any fault with the postal subsidy. I think it is one of the best features of this bill. The Senator knows that I acquiesced readily as a member of the Commission. The only fault I ever found with that is that I do not think we give postal subsidy enough. I would vote readily to increase the subsidies that are provided for from the Gulf of Mexico, because I doubt very much whether you will establish the lines that are sought to be established to Brazil and Argentina on the small subsidy that is given. * * *

Senator Gallinger, on the other hand, published statements from shipowners of unquestioned reliability, saying that, while the subsidies and bounties might not quite suffice to make up the difference, they would yet suffice to induce them to build vessels for the foreign trade, in the hope through rigid economy in operation to eke out a profit eventually.

The United States now saves \$2,500,000 on its ocean mail carriage each year. It is the only great nation that makes such a saving. Great Britain loses about \$2,500,000 annually over what she receives in ocean postage—she pays that much more for ocean mail transportation than she receives from ocean postage. But Great Britain possesses the ships, and we do not. We save on ocean postage, but we are without ocean ships.

The first year's operation of the bill will cost the Government nothing if the item of increased tonnage dues, omitted from the bill in the Senate, because revenue-producing measures can not constitutionally originate in the Senate, is restored by the House, as we hope it will be. The second year the cost would be less than two millions. The tenth year it would work up to between seven or eight millions, averaging slightly in excess of four millions annually for ten years. Deduct from this at least \$25,000,000 excess of ocean postage over expense of ocean mail carriage, and it will be seen that the cost of a trial of the bill will be comparatively unimportant.

This presents to the Republican Club of the city of New York the present status of American shipping in the foreign trade and a fair summary of the bill as drafted by a painstaking, honest, well-informed body of national legislators, appointed pursuant to President Roosevelt's recommendation to devise a method by which to build up our shipping in the foreign trade.

The argument advanced by some opponents of subsidies that it is taxing the whole people for the benefit of a class is not well founded. The whole country is taxed for our mail subsidies on land, for the improvement of rivers and harbors, and for public buildings which are used only by a small portion of our population, and yet in a broad sense they are for the general good.

No one questions the patriotism of the citizens of any section of our great country, but when we get a business question into the tides and currents and whirlpools of partisan politics it is often sucked down to destruction. Congress will vote unanimously eighty or ninety millions a year for a Navy, but when it comes to voting five millions a year for a commercial navy, which would be nearly self-sustaining in the time of peace, and be a militia of the seas in time of war, some of our Representatives hesitate. Ten per cent of the expense of maintaining our Navy expended on building up our commercial marine would double the efficiency of our Navy. A commercial marine would be a nursery for seamen and mechanics necessary in the Navy. We are willing to vote unanimously a hundred or two hundred millions for an isthmian canal for the merchant marine of other countries to use, but hesitate to vote a small part of that sum to build up an American merchant marine to use it.

In order to find a market at remunerative prices for the surplus products of our fields, forests, mines, and factories, we must have cheap transportation. We have got it on the land, and should have it on the sea. It is the one missing link in the chain of facilities which will enable us to conquer the commercial world. British shipowners were greatly alarmed at the prospect of the passage by our Congress of the Hanna-Payne subsidy bill, and estimated that its effect would be to reduce ocean freights within a few years 25 per cent. We pay over \$200,000,000 a year in ocean freights, principally on our agricultural products. Twenty-five per cent of this is \$50,000,000. Would it not be good business to spend \$5,000,000 a year to save \$50,000,000?

Furthermore, every ship is a missionary of trade, and steamship lines work for their own countries just as railroad lines work for their own territories. Competing merchants do not employ competitors' wagons to make their deliveries.

By subsidies in land, money, and mail pay we have developed the finest railway system on the face of the earth, a system which carries our products for much less than the freight rates of the railways of other countries, and passengers with an economy, speed, and comfort unknown elsewhere in the world.

On the sea we have starved our carriers, and the percentage of American products carried in American ships has dwindled from 90 down to 12 per cent, and this with a country having the greatest sea-coast in the world; a nation with maritime instincts, with an unbroken record of skill and intrepidity on the ocean, from Paul Jones to George Dewey; a nation whose shipbuilders made the name of

"American Clippers" famous, and who sent a little schooner called *America* across the ocean and won the "Queen's cup," which the shipbuilders of Great Britain have tried unsuccessfully ever since to win back.

Will the patriotism and the business common sense of the American people continue to starve our merchant marine, or will they indorse the view of Jefferson, Calhoun, Harrison, McKinley, and Roosevelt, all of whom believed in fostering our shipping, and indorse the sentiment expressed in the dying words of our gallant Lawrence, "Don't give up the ship?"

Believing that the Republican club and a majority of the American people are desirous of seeing a great American merchant marine established upon the seas, useful in peace and indispensable in war, and believing that our members are willing to accept the meritorious measure devised by the Congressional Merchant Marine Commission, your committee on national affairs takes pleasure in commending the reports and bill of that Commission, and renews its recommendation that the club concur in this approval, and that this approval be expressed to members of the House of Representatives and to the President of the United States, and that the hope be expressed that the bill may command the support of every member. We further recommend that copies of this report be transmitted to the press of the United States, and to kindred organizations with a request for its consideration and such support for the merchant marine shipping bill as in their opinion its merits deserve.

Respectfully submitted by the committee.

JAMES W. HAWES, *Chairman.*

WM. GREENWOOD, *Secretary.*

PROTESTS AGAINST AN INCREASE OF TONNAGE TAXES.

INTERNATIONAL MERCANTILE MARINE COMPANY,
OFFICE OF THE VICE-PRESIDENT,
New York, March 23, 1906.

HON. C. H. GROSVENOR,
*Chairman Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.*

DEAR SIR: In the absence of Mr. Franklin, your letter of the 22d instant, with reference to the opposition in Boston and Portland to the increased tonnage tax, has been referred to me.

I have noticed by the papers the opposition on the part of these ports, especially Portland, and am impressed with their strong argument, and, in my opinion, any increase whatever in the tonnage tax will operate seriously against these ports.

As you well know, Canada has a tonnage tax aggregating only 6 cents per ton on the net registered tonnage, while the United States present tonnage tax is 30 cents. Therefore any increase in the present tonnage tax will be an additional handicap on trade to United States ports, especially Portland and Boston.

I also desire to point out to you the serious tax on all regular lines, especially the trans-Atlantic lines, as the steamers in this trade invariably make 10 to 12 voyages per year, and therefore would have to pay the full tax of \$1.60 per ton annually provided for in your present bill.

I am very glad to learn that the sentiment in the House in favor of securing revenue from tonnage is not so urgent as it was some months ago, and it seems to me that it will be a very wise move on the part of Congress in promoting commerce, not to disturb the present tonnage-tax rate, as it would be a serious handicap on all American commerce, not only to Portland and Boston, but to all Atlantic and Pacific ports.

Yours, truly,

JNO. LEE, *Vice-President.*

MERCHANTS' EXCHANGE AND BOARD OF TRADE,
Portland, Me., March 14, 1906.

DEAR SIR: At a meeting of the managers of Portland Board of Trade, 13th instant, the accompanying resolution relative to the ship-subsidy bill received a unanimous passage, and I trust the board's action will receive your most careful consideration.

I would especially call your attention to the attached statement showing just how this port would be affected by the levying of such a prohibitive tax.

Yours, very truly,

MAURICE C. RICH, *Secretary.*

Respectfully referred to Committee on Merchant Marine and Fisheries.

WM. P. FRYE.

Whereas the ship-subsidy bill as originally drafted contained a provision increasing the tonnage tax on foreign steamers from a maximum of 30 cents to a maximum of 160 cents per net register ton per annum; and

Whereas the Canadian tonnage dues are 6 cents per net register ton per annum; and

Whereas the port of Portland comes into closer competition with Canadian ports than any other American port; and

Whereas the bulk of the foreign business from the port of Portland is export business, largely originating in Canada: Now, therefore,

Resolved, That in the opinion of Portland Board of Trade such increased tonnage tax will tend to drive foreign steamers from the port of Portland to Canadian ports; will tend to increase the cost of export business from the port of Portland, and divert such export business to Canadian ports, and will thereby greatly injure the port of Portland as a railroad terminus and render its present elevator and terminals of little value, all to the great injury to the city of Portland and its business interests.

Resolved, That copies of this resolution be forwarded to the Maine delegation in both Houses of Congress, urging them to secure the elimination from the ship-subsidy bill of any clause calling for an increase in the tonnage dues levied on foreign steamers.

PORTLAND, ME., *March 13, 1906.*

In submitting the resolutions adopted by this board of trade we wish to offer a few words in explanation. In a general way it is believed that the foreign steamship service of this port is of some value to the city, but it may not be generally known just what this value approximately is in dollars and cents. Now we have a reliable statement from the Allan Line which shows that during the last winter season—that of 1904-5—they disbursed in the city of Portland in the handling of 10 steamers upward of \$46,000. This amount includes all outlays for salaries, labor, and office expenses and ship's disbursements, but does not include customs duties or tonnage dues.

The Thomson Line have so far this winter spent in Portland, exclusive of salaries, office expenses, customs duties, and tonnage dues, about \$2,400 per steamer, or upward of \$36,000 in three months and a half of the current season.

The Dominion Line, exclusive of duties and dues, have spent right here in Portland upward of \$72,000 so far this year.

A very conservative estimate of the amount of money spent in Portland by the steamers of the three lines now serving the port would be the handsome sum of \$250,000.

And who gets all this money? It is the merchants and laborers of the city of Portland, the longshoremen, the ship liners, checkers, coopers, clerks, and other employees, the boarding houses and hotels, the men who supply the steamers with meat and provisions, the lumber for lining holds, fitting and repairing cattle stalls, the machinists and blacksmiths who effect repairs, the pilots, the towboat people, the water company, and laundries, the telegraph, cable, and postal services, and numberless other minor interests. So that practically every branch of activity in Portland is affected to a greater or less degree by the coming of foreign steamers to this port.

But it must also be borne in mind that there is a large amount of money spent here by the exporters of live stock, for feed whilst the animals remain in the stock yard under the Government "rest" regulations. There is also a large sum paid in duties on coal and other commodities, and for customs fees, tonnage dues, and fixed rates; and further, there is a large disbursement on the part of the railway to its small army of employees, almost the whole of which eventually finds its way into the pockets of Portland merchants. We know, therefore, that we are safe in saying that the foreign steamship business of this port is worth to the city of Portland each winter season at least half a million dollars.

You will gather from this how undesirable it would be to chase these steamers away from Portland by imposing upon them burdens of taxation greater than they could bear. The enormity of this proposed tonnage tax will be better understood when a concrete example is given. Take, for instance, a steamer of 3,000 tons net register. This ship, if she traded here for a year, would pay a tonnage tax under present regulations of 6 cents per net register ton on each of her first five trips, or 30 cents in all per annum, equal to, say, \$900. Under the new impost she would pay 16 cents per ton for the first 10 trips, or \$1.60 per annum, equal to \$4,800, or close upon \$4,000 more than is now paid. It can therefore be readily seen that the increase in the working expenses of the steamers at Portland would be enormously increased, and it would not take shipowners long to realize that it would pay them to use the Canadian ports, where the tonnage tax is but one-fifth of even the present American rate, rather than submit to the excessive impost proposed.

STATEMENT OF LEROY L. HIGHT, OF PORTLAND, ME.

This representation is made in behalf of the city of Portland and at the instance of its board of trade. Portland is not in any sense opposed to a ship-subsidy bill. On the contrary, it favors any legislation which would tend to increase the volume of American shipping; and in particular, its merchants who have had the opportunity to examine the bill at present under consideration favor that bill in the form in which it came from the Senate. The only opposition which Portland offers, which is the cause of this representation, is opposition to the tonnage-tax clause, which was in the original form of the Senate bill and which it is hoped may continue to be excluded from the bill and not reinserted by this committee. The opposition of Portland to this tonnage-tax clause is founded upon the fact that such a tax does not simply menace the commercial existence of Portland, but apparently insures its destruction.

As is doubtless well known to all of the committee, the port of Portland affords a winter terminal for the Grand Trunk Railway System. The volume of business done at this port, by reason of this railroad connection, is very large. During the two years ending with the summer season of 1905 exports to the value of \$49,988,787 have been shipped. Of this valuation, \$25,695,573 represented foreign goods.

For the purpose of handling such a quantity of freight a very valuable plant has been constructed. Two modern elevators, of a capacity of 2,500,000 bushels, have been constructed. Extensive docks, piers, and freight sheds have been built, of a capacity such that at times as many as ten large ocean liners have been loading or discharging at the same time. Large stock yards have been built, and a great many head of cattle and sheep have passed through. Extensive motive-power shops and car shops employ hundreds of men. The freight-yard capacity is very great, and to indicate how vital this business which results is to the city of Portland I can assure you that from careful and conservative computation it is found that a round million dollars per year is at present being distributed in wages and in money paid to local dealers for supplies, and this million dollars goes into circulation directly in payment for the necessities of life which the wage-earners require. It is in the nature of a fact rather than a prophecy that the future will see these figures greatly enlarged, unless some such peril as this which is now threatened shall prevent. The Grand Trunk Pacific Line will without doubt contribute not alone to the upbuilding of commerce in the ports of maritime provinces, but will also contribute great addition to the commerce of Portland.

The city has been constantly alive to its own interests and has been actively encouraging an extension of investment on the part of the railway company, to the end that as strong an anchor as possible may hold the railway's interest in the port and may tend to make it good business on the part of the railroad to utilize so extensive a plant representing so large an investment for summer business as well as winter business. It believes that it is in a fair way to see this hope realized, as during the past two seasons there have been 57 summer sailings of ocean liners from the port. In this connection I would ask you to bear in mind that the steamship lines have absolutely no permanent investment to tend to keep them sailing from the port. On the contrary, they are under constant and strenuous pressure, urging them to make less frequent sailings from Portland and more frequent sailings from the ports of the Dominion. Portland's strongest competitors for this winter traffic are St. John and Halifax. This tax would be most agreeable to these two cities, and the reason is obvious when the figures are briefly stated. The tonnage dues at the province ports are 2 cents per net registered ton for the first three sailings during the year of each particular ship.

Our dues are 6 cents for the first 5 sailings. Under the proposed tonnage tax it would be 16 cents for the first 10 sailings, which means, of course, that it would be 16 cents for every sailing during the year, as no ship could possibly be used for more than 10 voyages. If the 177 sailings of the last two years had been made from St. John, the total tonnage tax paid would have been \$12,386.56. There was actually paid, in Portland, for these 177 sailings \$34,159.44. It has been difficult enough to combat this disadvantage, but the steamship people declare that if the new tonnage clause should go into effect it would be prohibitive, for under that clause, assuming that all these sailings were made (which they could not be), the tax which the steamships would have to pay would amount to \$90,999.84, a difference to the disadvantage of Portland traffic of \$78,613.28.

Further, I beg to submit one other consideration, which I believe will appeal to your business judgment. Within the last two or three years, for the purpose of encouraging this very traffic of which I speak, the Government has expended more than a quarter of a million dollars in improvements of the harbor, in the way of lighting and dredging. It seems hardly consistent to follow this expenditure immediately by an action which will prohibit the commerce which you sought to encourage.

To anticipate some objection that may be made to the position which we are taking, I ask the committee to consider the following: It has been intimated to me that the fears of Portland are groundless, for the reason that St. John and Halifax are incapable, by reason of their lack of facilities, for handling a large increase of traffic such as might result if the commerce which Portland is now enjoying should seek these ports as an outlet. I have endeavored to provide myself with authentic information upon this point. Both St. John and Halifax have elevators for the handling of grain and have abundant room for docking steamers. Portland has berths for 9 steamers, aside from its coal pockets; St. John can accommodate 10 steamers; Halifax can accommodate 12. St. John has under construction a pier which will very largely increase its accommodation, adding at least 3 berths to its present number of 10. When this work is completed there will be the means at St. John alone to handle the necessary steamers to take all the present Portland commerce, without overtaxing the terminal facilities. At Halifax at the present time two-thirds of the present Portland business could be accommodated without enlarging the equipment.

The rates for freight from inland are the same at St. John and Halifax that they are from Portland. There is, of course, to the advantage of the last-named port the shorter distance which this freight must be carried, but the cost to the shipper is not greater. On the various port and wharfage charges, Halifax is considerably less expensive than Portland. On the very important point of longshoremen's wages, there seems to be no considerable advantage on the side of the American port; on the contrary, it seems to be somewhat at a disadvantage. Longshoremen's wages at Portland are 30 cents per hour for the regular hands, 35 cents per hour for the foremen. This same rate of wages applies at St. John. At Halifax the figures are 20 and 25 cents. The other important matter of unloading grain costs, at Portland, by day or night, 60 cents per hour, and on Sundays 90 cents per hour, while at St. John 40 cents per hour for the day or night and 60 cents per hour for Sundays is the regular charge. Furthermore, at Portland there are many conditions imposed by the Longshoremen's Union, which make stevedoring very expensive. The tide conditions at Halifax are not materially different from those at Portland. The harbor is excellent.

At St. John there is, to be sure, a great rise and fall of the tide, but this is a condition which the ingenuity of the men handling the traffic of the port have been able to meet successfully, and I am informed upon excellent authority that with the appliances now in use, handled by men who are skilled in the work and thoroughly familiar with it, there is no time lost on account of the rise and fall of the tide and no material expense incurred. Ships now discharge their cargoes and load for sailing with dispatch which equals that at Portland. Furthermore, at both these province ports there is one advantage which is a very considerable one, and that is that there is no difficulty whatever in completing cargoes by means of local shipments. Portland has no means of supplying any appreciable local cargoes, but at St. John, in the event of a short supply of freight from the West, a vessel can at any time complete its cargo by loading deals; and at Halifax the great shipment of apples may be depended on to complete cargoes at any time.

Any further information which you may desire on this matter I will be pleased to give you, if it is within my knowledge, and if it is not and can be obtained, I should take pleasure in obtaining it.

Finally, that there may be no misapprehension, I would like to repeat my assertion that Portland does not come here as an opponent to a ship subsidy bill.

On April 5, at a meeting of the board of trade, the following resolution was passed:

"RESOLUTION OF PORTLAND, ME., BOARD OF TRADE, APRIL 5, 1906.

"Whereas the board of trade of Portland, Me., has taken cognizance of and carefully considered Senate bill No. 529, entitled 'An act to promote the national

defense, to create a naval reserve, to establish American ocean mail lines to foreign markets, and to promote commerce.' It is

"Resolved, That the board heartily favors the bill in its present form, as referred to the Committee on the Merchant Marine and Fisheries of the House of Representatives on February 15, 1906, but it is unalterably opposed to the insertion therein by the House of any clause providing for an increase in the tonnage dues now levied upon foreign shipping, for the reason that such an increase would be a serious blow to the commerce of this port and very detrimental to the commercial interests of the city of Portland."

This resolution was called forth by my report to them that on a previous visit of mine to Washington in regard to this matter the attitude of the city seemed to be somewhat misunderstood, and for the purpose of making clear its position merchants who were interested proposed the resolution which I have read, and it was unanimously adopted.

What we ask of you is not that you kill the bill, but simply that you prevent the insertion of this particular clause, and the request is made, as I have stated at the outset, because we believe that if our request is not granted it means a complete cessation of the business which is our commercial life.

BOSTON MERCHANTS' ASSOCIATION,
Boston, March 19, 1906.

HON. JOHN A. KELIHER,
Member of Congress, Washington, D. C.

DEAR SIR: Your attention is respectfully called to the following preambles and resolution passed by the board of directors of the Boston Merchants' Association at a regularly called meeting of the board, held on Monday, March 12, 1906:

"Whereas the present ship tonnage tax of 6 cents per net register tonnage for not exceeding five voyages, making 30 cents per ton annually, is a handicap over the Canadian tax of 2 cents per net register tonnage for each of three voyages, or only 6 cents per ton annually; and

"Whereas the board of directors of the Boston Merchants' Association believes that any material increase in the ship tonnage tax would be a great menace not only to Boston's commerce, but to that of every United States seaport:

"Resolved, That, while this board advocates liberal compensation for steamship transportation of mails and other services actually performed, it objects to the feature of Senate bill No. 529 providing for an increase in the tonnage tax above the existing tax of 30 cents per annum."

Yours, very respectfully,

E. H. WALCOTT, *Secretary.*

INTERNATIONAL MERCANTILE MARINE COMPANY,
Washington, D. C., March 15, 1906.

DEAR GENERAL GROSVENOR: As I have heretofore said to you, we are very much opposed to the tonnage tax in the shipping bill being increased over the present rate. I submit herewith a memorandum of reasons for our position in the matter.

I have also written Mr. Littlefield to this effect.

Very truly, yours,

S. C. NEALE.

HON. CHAS. H. GROSVENOR,
House of Representatives, City.

Memorandum.

It has been from the beginning the policy of the United States to establish, in cooperation with other nations, the principle that vessels of all nations and their cargoes, engaged in foreign trade, shall have in every port of the world the same privileges as belong to the vessels of the country of that port. In other words, that there shall be no discrimination anywhere in respect to charges between national vessels and foreign vessels. Wayne, J., discussed this subject in the case of *Oldfield v. Marriott* (10 How., 146), between pages 162 and 172, all of which ought to be read, but of which we quote the last two paragraphs:

"With such facts to sustain it as we have recited—and they are all official—it may very truly be said that the reciprocity of navigation now existing be-

tween nations, and particularly between Great Britain and the United States, is in a great degree owing to the perseverance of the United States in proposing and contending for it for more than sixty years. It can not, therefore, be said, as it has been by more than one foreign writer, that after the American Colonies had established their independence they set about to form a code of navigation laws on the model of those of England. Those writers have mistaken our legislation for our history without seeking in the latter the causes of the former.

"Discriminating duties were never laid by Congress except they were retaliatory and for the purpose of coercing other nations to a modification or repeal of their restrictions upon commerce and navigation. The leading point and constantly avowed intention of the United States have been to produce that reciprocity of trade for the vessels of different nations which had been denied by the nations of Europe for more than two hundred years. It was the American system contradistinguished from the European—the last now happily no longer so to the extent of its former and long-continued exclusiveness."

This decision was handed down in 1850, but our subsequent legislation has been in the line of it. The act of June 26, 1884, section 14, as amended by the act of June 19, 1886, authorizes the President to suspend the collection of so much of the tonnage duties on vessels entering from any foreign port as are in excess of the tonnage and similar duties imposed in that port on American vessels, and from time to time to indicate by proclamation the ports to which such suspension shall apply and the rate of tonnage duty, if any, collected under such suspension.

Section 12 of the act of June 19, 1886, directs the President to invite other governments to cooperate with the United States in abolishing all light-house dues, tonnage taxes, or other equivalent tax or taxes on and also all other fees for official services to the vessels of the respective nations employed in the trade between the ports of such foreign country and the ports of the United States.

Section 4228 of the Revised Statutes, as amended by the act of July 24, 1897, authorizes the President, when he ascertains that any foreign government imposes no discriminating duties upon vessels of the United States or their cargoes, to declare that foreign discriminating duties of tonnage and impost within the United States are suspended as to the vessels of such foreign nation, and authorizes him to make a partial suspension of the tonnage duties or import duties corresponding to similar privileges enjoyed by American vessels and merchandise in foreign countries.

The existence of this uniform and intelligent commercial system which our Government since its foundation has been engaged in promoting depends upon reciprocity. The moment reciprocity is abandoned the whole system will fall and there will be substituted for it a competition between nations in passing retaliatory measures one against the other which will burden and destroy commerce.

We see in the provisions of sections 8 and 9 of the Senate bill No. — a discrimination against foreign vessels which, if enacted, will be, notwithstanding provisions of earlier treaties, the supreme law of the land, will subvert the principle of reciprocity, and depart from the public policy which we have so long followed.

A tonnage duty is proposed upon all vessels entering the United States from foreign ports of 16 cents per net ton per voyage, not to exceed, however, \$1.60 per net ton in any one year, 80 per cent of which tax shall be returned to vessels of the United States which have carried a boy or boys, citizens of the United States, suitably trained during the voyage in seamanship or engineering in the proportion of one for the vessel and in addition one for each 1,000 tons of her net registered tonnage. At the rate of 10 voyages a year this will subject such American vessels to a tonnage duty of 32 cents per net registered ton as against \$1.60 laid upon all foreign vessels, except those of the few countries, like Denmark and Holland, which have abolished all tonnage duties and similar charges.

There is the further practical consideration that payment of these tonnage duties imposed on foreign vessels will fall ultimately, though indirectly, upon our own citizens, who consume the goods brought here and who lade the vessels outward.

In other words, if the trade is carried on at all it must be profitable, and to be profitable it must get back all its burdens out of its business. Besides which our own vessels will be subjected to the retaliatory charges of other nations.

[Frederick Leyland & Co. (1900) Limited, M. J. Sanders, manager.]

LEYLAND LINE,
New Orleans, La., March 8, 1906.

Congressman SAMUEL M. ROBERTSON,
Washington, D. C.

MY DEAR SIR: I notice that a ship subsidy bill has been introduced in the Senate, which contains a provision for the increase of tonnage dues on foreign vessels from the present rate of 30 cents per net registered ton per annum to the extraordinary charge of \$1.60 per net ton per annum.

I understand that this clause was finally eliminated in the Senate committee, but that the bill is now before the House committee, and that there is a move on foot to reinsert this provision.

The present annual charge on a vessel of 6,000 tons net register in the United States is \$1,800; in Canada the rate is 6 cents per net registered ton, which makes an annual charge of \$360, showing, even under present conditions, a considerable additional tax on vessels entering the United States ports as compared with the ports in Canada.

To add to this burden by making the tonnage tax on vessels of 6,000 tons net register in the United States \$9,600, when the charge on a similar vessel in Canada is only \$360, is bound to be distinctly harmful to the interests of all American ports.

Whilst it seems a far cry from the port of New Orleans to the Canadian ports of Montreal and Quebec, it is nevertheless a fact that the port of New Orleans for six or seven months in the year has to meet the competition of these Canadian ports, especially in the West and Northwest.

Through rates of freight via Montreal are quoted in competition with the through rates via New Orleans and other Gulf ports, and owing to the very much cheaper port expenses in the Canadian ports this competition is already a most serious one, and a vast volume of business which should rightfully find its way via the Gulf to the ports in Europe is diverted during the open season through the Canadian ports.

It is evident, therefore, that if Congress decides to impose such a heavy additional tax upon foreign vessels when they come to the port of New Orleans it provides a very powerful incentive for the foreign shipowner to divert his tonnage to the Canadian ports, and thus increase the enormous volume of American products which already finds its cheapest route to Europe through those ports.

As Louisiana has no representative upon the House Committee on Merchant Marine and Fisheries, to which this bill to "promote the national defense, etc.," will be referred, I would respectfully ask, in the interest of our port, your earnest influence, with the object of preventing any increased tonnage dues upon shipping.

Yours, very truly,

M. J. SANDERS.

COMMITTEE ON BANKING AND CURRENCY,
HOUSE OF REPRESENTATIVES,
Washington, D. C., March 30, 1906.

Hon. C. H. GROSVENOR,
House of Representatives, Washington, D. C.

MY DEAR GENERAL: Herewith find inclosed a letter from the president of the New York Produce Exchange, requesting that in the report of the ship-subsidy bill by your committee the tonnage charges be allowed to remain as they are at present and as proposed in the Senate amendment, to wit: At 6 cents per ton per voyage up to five voyages, or not to exceed 30 cents per year. An exact tonnage charge is liable to send a large portion of the tonnage to Montreal, Quebec, St. John, and other Canadian points, where the charge is only one-fifth of that of ours.

I trust that your committee will consider this very carefully, and if you can not reduce this tonnage charge at least as low as Canadian charges, that you will not increase them above the present charge.

With best wishes, I am, very truly, yours,

G. E. WALDO.

NEW YORK PRODUCE EXCHANGE,
New York, March 27, 1906.

HON. GEORGE E. WALDO,
House of Representatives, Washington, D. C.

DEAR SIR: In pursuance of action by the board of managers of the New York Produce Exchange, I beg to call your attention to the danger which threatens the commerce of this port in the event of the imposition of the tonnage dues stricken from the ship-subsidy bill before its passage by the Senate, which provision we understand may be restored before passage of the bill by the House.

The present charge is 6 cents per ton per voyage up to five voyages, or 30 cents for the year. It is proposed to increase this to 16 cents per ton for each ten voyages, or \$1.60 for a season.

As you are doubtless aware, the commerce of New York is not only being seriously diverted to the South Atlantic and Gulf ports, which, with the sanction of the Interstate Commerce Commission, are favored with a lower inland freight rate, but, in addition, has to contend with a sharp competition from the Canadian ports. Montreal, Quebec, and St. John are steadily developing their facilities, and with the advantage of a tonnage tax already five times greater in the United States, are making alarming inroads into our trans-Atlantic business. You can, therefore, readily appreciate our apprehension of the embarrassing effect of the tax proposed, more than twenty-five times greater than that borne by our competitors.

We ask your most earnest efforts in opposition to this tax.

Very respectfully, yours,

GRENVILLE PERRIN, *President.*

REMONSTRANCES AGAINST THE AMENDMENTS PROPOSED, BY THE MERCHANTS' ASSOCIATION OF NEW YORK.

NEW YORK, April 18, 1906.

HON. CHARLES H. GROSVENOR,

Chairman Committee on Merchant Marine and Fisheries.

DEAR SIR: We have before us the pamphlet of the Merchants' Association of New York, dated March 28, 1906, which was laid before your committee at its recent hearings on the ship-subsidy bill and which contains the bill, with several amendments the adoption of which would insure the support of the Merchants' Association, according to their testimony before your committee.

As you are doubtless aware, this association has consistently opposed heretofore every bill which has been before Congress for the amelioration of the wretched conditions of our merchant marine, and we are fully convinced in our own minds that the adoption of the amendments now offered to the present bill would render it practically inoperative in many of its features. We therefore respectfully protest against the adoption of all of these amendments with the exception of the last one, which they add to the bill in the form of a new section No. 11, and which is so very American in its sentiment that it serves the purpose, whether intentionally or not, of leaving a pleasant impression on the minds of those who have read the bill as amended by the Merchants' Association and tends to smooth over the serious damage to the American merchant marine covered in the preceding amendments.

We desire especially to call your attention to the amendment on pages 18 and 19 of the pamphlet, applying to trade of the Philippines. It was fully brought out in 1904, when the so-called "Philippine coastwise bill" was before your committee, that the trade between our Atlantic coast ports and the Philippines is absolutely monopolized by a combination, or, as it is sometimes called, a conference of four or five foreign steamship lines. These lines are represented in the Philippines by British agents, whose business it is to look out for their interests, engage all the Philippine products which are to come to the Atlantic United States, and to see that they are shipped on the lines of steamers belonging to this combination. The result has been that no competing line, whether foreign or American, can gain a foothold in that trade. Now, the additional subvention provided for American vessels in the Philippine trade under the present subsidy bill was provided to attract vessels to a trade which would not be desirable at the regular subsidy of \$5 per gross ton, owing to the long voyage, the dangers of navigation, and the typhoons, and the difficulty of always obtaining homeward cargoes from the Philippines.

If, therefore, an American vessel can not obtain the additional subvention in this trade, she would prefer to enter some other trade at the lower rate of subsidy. It is quite easy, therefore, for an American shipowner to appreciate the fact that, since this trade between the Atlantic United States and the Philippines is absolutely in the hands of British merchants, these latter would experience but little difficulty in so arranging that it would be impossible for any competing American vessel or vessels trying to gain a foothold in that trade to obtain 50 per cent of their entire capacity of cargo upon every voyage made outward and homeward, which they must do under the amendment proposed by the Merchants' Association of New York. The result would be that no American vessels could establish themselves in the trade should the amendment be adopted, for the foreign lines would willingly run at a temporary loss in order to keep American vessels out.

The amendment on pages 22 and 23 is designed to grant a subsidy to foreign vessels, which they do not now enjoy and which would give them great advantages over what they now receive for carrying the mails by pound postage, and even a temporary contract with foreign vessels by the Postmaster-General would discourage American capital from building new vessels for these lines.

American merchants, having been obliged to wait so many years for an American mail service, can certainly now afford to wait a year or two longer under the same conditions while Americans are building the ships required to give them such a service as they feel their business requires.

The amendment on page 25 prescribes a rate of speed which would make it impossible to operate with profit such vessels as would be built under the rates of subsidy provided in the mail section of the bill, and, at the same time, these higher speed vessels could only be obtained at a sacrifice of their cargo-carrying capacity, which we understand to be contrary to the object aimed at in the bill, and would to a large extent render this section of the bill inoperative if the amendment is adopted.

We feel that it is hardly necessary to refer to the amendment on page 17, as Mr. Duval himself was forced to admit before your committee that the bill, as passed by the Senate, does not give the sailing vessel any advantage over the steam vessel in the subvention of \$5 per gross registered ton, for it is quite evident that a sailing vessel carries as many deck officers and more seamen than a steamer of the same tonnage, and is, therefore, more valuable for the training of officers and seamen. It is also evident that, while a sailing ship carries her full dead-weight capacity of cargo, a steamship only carries one-half or two-thirds of her full capacity of cargo, the remainder of her capacity being taken up by machinery and fuel.

In view of the above, we do not believe that it is the object of the merchants' association's amendments to assist in any way the good work which has been done for the American merchant marine by the Merchant Marine Commission, of which you were a prominent member and one who has had for years the interests of this important American industry at heart.

Yours, very respectfully,

ARTHUR SEWALL & Co.

NEW YORK, April 17, 1906.

HON. CHARLES H. GROSVENOR,

Chairman Committee on Merchant Marine and Fisheries,

Washington, D. C.

DEAR SIR: As owners of American steamships, which we have been trying to find a place for in the trade with the Philippines, we wish to enter an emphatic protest against that amendment to the Gallinger bill urged by Mr. George L. Duval, in the name of the Merchants' Association of New York, denying the special subvention of \$1.50 per ton to American vessels engaged in our Philippine commerce, unless they carry both ways merchandise to at least 50 per cent of their capacity between ports of the Philippines and ports of the United States.

The practical effect of this amendment, and doubtless the effect intended by Mr. Duval, who has seemed to be consistently hostile to American shipping interests, would be to defeat one aim of this bill of the Merchant Marine Commission, which is to take our Philippine carrying trade away from foreign ship-owners and give it to Americans.

For the fact is that hemp, the chief article of export from Manila to the United States, is virtually controlled at Manila by European houses, which make every effort to keep the hemp carrying entirely for foreign ships. Last year we sent two steamers out to Manila with American navy coal—two steamers of American register—but we could not get return cargoes for these American ships at Manila, and were forced to leave port without them.

These European mercantile houses at Manila, under the amendment proposed by Mr. Duval, would take care that American ships, even though aided by the subsidy of \$5 per ton, should not get 50 per cent of their capacity in Manila cargo homeward bound, and would not therefore be entitled to the additional special subvention of \$1.50 per ton, even on the outward voyage with a full cargo.

This amendment of Mr. Duval's is very adroit and very dangerous. It would prevent American ships from breaking the present European monopoly of our Philippine carrying trade. The proposition ought to be rejected by your committee, and I dare say that it will be when its real character is known. It is directly in the interest of a foreign steamship ring or combination operating between New York and the East Indies—a combination which has recently

increased freight rates on American goods, as stated in the official report of the American consul at Singapore, to the injury of American commerce in competition with the more favored manufacturers and merchants of Europe.

We American shipowners of New York City expect the House committee in this matter to protect the interests of American ships and American trade.

Yours, very truly,

LEWIS LUCKENBACH.

JAPAN'S MARITIME ACTIVITY.

AMERICAN CONSULATE-GENERAL,

Yokohama, Japan, August 14, 1905.

HON. FRANCIS B. LOOMIS,

Assistant Secretary of State, Washington, D. C.

SIR: Referring to the Department instruction of June 21, 1905, I have to report that the Toyo Kisen Kaisha (Oriental Steamship Company) is contemplating establishing a line of steamers between Hongkong and Chile, touching at Noji, Kobe, and Yokohama. The company expects to charter two steamers of 4,000 tons each early in October, 1905. This line is to carry Chinese and Japanese laborers and general passengers to the South American states and return with cargoes of nitrate of soda and other articles to Japan and China. Should these two steamers find profitable employment the company intends to increase the number to six of about the same tonnage.

In addition to the foregoing, the company has contracted with Mitsu Bishi shipbuilding yard at Nagasaki for the construction of two steamers of 12,000 tons each, to be completed in December, 1907, and June, 1908, respectively. These two steamers when completed will be placed on the company's Hongkong-San Francisco line.

Other vessels now under construction and to be completed within this year at the Mitsu Bishi shipbuilding yard are as follows:

Iti Maru, 1,500 tons, Sanyo Railway Company.

Tsushima Maru, 1,500 tons, Sanyo Railway Company.

Taishin Maru, 1,250 tons, Osaka Mercantile Steamship Company.

Tetsurei Maru, 2,100 tons, Osaka Mercantile Steamship Company.

Joshin Maru, 1,200 tons, Osaka Mercantile Steamship Company.

Bazan Maru, 1,200 tons, Osaka Mercantile Steamship Company.

There are two more vessels ordered, materials for which are on their way to Nagasaki from abroad. They are to be of 7,463 and 1,530 tons, respectively.

The Japan Railway Company (Nippon Tetsudo Kaisha) will spend 1,000,000 yen (about \$500,000) to purchase three steamers in near future. These vessels will run between Aomori, the northern terminus of the company's line, and Hakodate.

I am, sir, your obedient servant,

HENRY B. WILLIS,
Consul-General.

AMERICAN SHIPS FOR AMERICAN COMMERCE.

[From the New Orleans Times-Democrat (Dem.), March 22, 1903.]

To the Editor of the Times-Democrat:

"To the spread of our trade in peace and the defense of our flag in war a great and prosperous merchant marine is indispensable."

With 3,000,000 square miles of territory, teeming with the activities of 80,000,000 of people, and no outlet except by the Atlantic or Pacific Ocean, the United States has practically no overseas shipping. Before adverse legislation stranded our shipping we were a successful competitor against the world in building and sailing ships. We built them so well that they were in demand abroad, as well as at home. In 1854, at Liverpool, the writer stood upon the deck of the clipper ship *James Baines*, a magnificent specimen of naval archi-

ture, built at Boston, for James Baines & Co., of Liverpool. And we sailed them well, too—so well that they set the fashion and the pace on the ocean.

At that time when the master of a foreign vessel sighted a sail at sea, and it was so distant that he could not determine its nativity by any of the usual signs, there was an infallible rule for deciding the question. If the sail was going in the same direction as himself and was out of sight ahead of him in a few hours, it was declared to be an American clipper. These ships did things. They shortened the time of a voyage from New York to San Francisco by nearly one-half; they commanded freight at the highest rate wherever it was to be had. When the new crop of teas was ready for shipment from Hongkong, no English or other ship could get it if there was an American clipper at hand. They wanted that tea in London, and the quickest known route was by an American ship with an American crew. These ships have vanished, superseded by the ship of steel, propelled by steam, but the intelligence which designed them is not dead, nor has the hand that fashioned them forgot its cunning. The American shipbuilder is equal to the occasion, and only awaits the necessary legislation which will make it possible for him to resume his calling.

It is the irony of fate that after having fought the war of 1812-1814, and through the gallantry of our sturdy little Navy compelled England to admit the right of our merchant ships to navigate the seas unmolested, and after fifty years of unprecedented success our shipping interests were abandoned and the carrying trade turned over to our adversaries. It is a safe maxim in competing trade to do that thing which your rival fears you will do. England greatly fears the revival of our merchant marine. The ships of our chief competitors are assisted by subventions or bounties from their home governments and generously aided by ours in providing harbors, deepening channels, and other improvements for which we are paying many millions of dollars annually, not forgetting the Panama Canal, which will have cost us, when completed, about \$200,000,000. Great Britain has been paying mail subsidies to steamships since 1840, and up to the present time has paid, in mail and admiralty subsidies, upward of \$250,000,000. There are about 30 subsidized British steamship lines. They belt the world everywhere. The British "tramp" fleet, though not directly subsidized, is indirectly the product of the subsidy system. Most of the subsidized companies own cargo ships as well as mail liners. Present British subsidy payments are about \$6,000,000 a year, not including \$1,100,000 to the Cunard Line. The largest single British subsidy is \$1,600,000 to the Peninsular and Oriental Company. Under this fostering care British tonnage, which was less than 12,000,000 in 1890, had increased to nearly 17,000,000 in 1904. French mail subsidies are about \$5,000,000 a year and the construction and navigating bounties \$3,500,000 additional.

Germany has many subsidized steam lines, and while not giving direct subsidy to her tramp ships, they profit indirectly by the trade which the subsidized lines have created. Their shipyards are aided by the government railways in hauling, at cost, all materials, and they are assisted in every possible way by the potent and powerful influence of the Imperial Government. Her tonnage has grown from 1,200,000 in 1881 to 3,400,000 in 1905. Norway has begun to give mail subsidies and her tonnage is increasing.

Italy has adopted a system of bounties to encourage shipbuilding and subsidies to encourage navigation. Cargo vessels as well as mail liners are subsidized at a cost of about \$3,000,000 a year. Italian shipyards are now among the largest and best in Europe. This about completes the list of our competitors except Japan, who is now looming up threateningly on the commercial horizon. Russia, China, and the United States are in a class by themselves.

If we would not have our rapidly disappearing ships driven entirely from the seas by this unequal contest, we must take counsel of our opponents and subsidize them. The successful merchant of to-day does not wait for customers to come to him; he goes after them in the person of his agents, and he is equipped with all needful appliances, including delivery wagons. As a producing and trading nation we are ambitious to secure foreign trade, and the only "delivery wagons" on the seas available for us are ships belonging to nations who are themselves seeking after trade, and whose interests are diametrically opposed to ours.

Already nearly the entire trade of South America is in the grasp of an European shipping ring, which, by discriminating freight rates, is driving American products from those markets, particularly our flour.

Without ships we are helpless, and the only sensible and feasible way to get them is to protect them.

Many of our industries are protected; why not the ship? Why strain at a gnat after having swallowed the camel?

While the protection policy prevails it should be exercised where it is most needed.

Our shipping interests once protected and revived will make the chain of our prosperity complete and permanent. It is true that the tariff affords but little protection to our agricultural interests; should any of them need help they should have it. The present prices of our products do not indicate any distress in that direction. What these interests need more than anything else is new and wider markets to create a constantly increasing demand for their surplus products, thus enabling them to maintain prices without checking production. To do this we must have ships, and there is a bill now before Congress which, if it becomes a law, will greatly aid us in this direction.

Our Navy now costs \$100,000,000 annually, and it is money well spent; but we should not forget that a great navy has never been successfully maintained by any nation not having a correspondingly large merchant marine. The most serious problem that confronts our Navy to-day is lack of men. Naval battles can not be fought and won with volunteers; war vessels must have men accustomed to the sea, familiar with its difficulties, and hardened to its perils. Such men, in sufficient numbers, can only be supplied from the ranks of a numerous merchant marine.

There are some humiliating things which might happen if something is not done soon to reestablish our shipping. The time will come, and by all signs is not far distant, when those nations whose ships are now doing our carrying trade will be involved in war. Then our farmers and manufacturers will have leisure to visit the seaboard, and while sitting on their boxes and bales wait, with what patience they may, the appearance of a neutral flag to carry their goods to market. Then—if it be an axiom that "all misery is the fruit of unwisdom"—they will have occasion to curse the folly that has legislated our merchant marine out of existence.

Some day we shall be at war, and our battle ships will go out to certain defeat unless fully manned with the best of hardened, self-reliant seamen.

"Don't give up the ship."

GEO. M. McLELLAN.

GOOD OF SHIPPING BILL

LOCAL BUSINESS MAN ARGUES FOR ITS PASSAGE—PEARL WIGHT SUGGESTS THAT NEW ORLEANS SHOULD TAKE MORE INTEREST IN THE BILL, WHICH, HE THINKS, WILL FOSTER TRADE WITH SOUTH AMERICA.

[From the New Orleans Times-Democrat (Democratic), March 23, 1906.]

In an interview given out yesterday Pearl Wight, a member of the firm of Woodward, Wight & Co., indorsed the sentiments expressed by Capt. George McLellan, whose letter regarding the American shipping bill was printed yesterday morning. Mr. Wight said:

"I was pleased to see the letter of Captain McLellan in reference to the passage of the shipping bill now before Congress, and I wish that letter could be published all over the United States. It has been something of a surprise to me that a bill of this character, before the National Congress, has not received more attention from our people here in this great commercial city.

"What we are going to need more in the future than we have in the past is new markets for our vastly increasing products of the factories and the crops that are produced from our wealth of land. To-day we have no way of shipping to South America, unless one has a full cargo and can charter a ship for it, but by shipping by the way of England. Hence it is impossible to talk of building up a trade with Brazil or the Argentine Republic until we have more reliable shipping facilities.

"The Congress of the United States passed an act appointing a committee of the House and Senate to investigate some mode by which to stimulate the building of a merchant marine of this country. The committee's work was a very long and patient one. They visited many ports of the country, among other ports coming to and staying some time at New Orleans, and the testimony taken, if carefully read, would convince any unprejudiced mind that we were sadly deficient in reaching out for new territory to supply.

"It is a well-known fact that the great West never was built up until the railroads penetrated into the interior. The history of the Atchison, Topeka and Santa Fe Road is enough to show anyone that immediately, as fast as the road was completed, business followed by inducing new settlers to settle in the territory, thus giving freight and transportation to pay the road for its outlay in building. The same principle is bound to apply to points which we are not able now to reach by shipping. If we establish mail lines and give for, say, ten years subsidy enough to partially enable the ships to run with half cargoes for a year or two, long before the subsidy expires the ships will be running full and will not require any further subsidy to keep them running, but the lines will be an assured success. But they would never be inaugurated without some incentive more than the small amount of trade which is now going by way of England.

"This country has been rapidly built up by protection. Who is there among us who does not know that there would not be a Bessemer steel rail made to-day if the mills when first located in this country had not been protected with a very heavy duty against foreign competition? To-day there is no doubt that we can make steel rails cheaper than any other part of the world. The real necessity for protection on any of this class of goods has passed or is about passing away. Nearly every great industry in this country that requires protection has received it.

"I frequently strike a cotton man who states that cotton is not protected; hence, why should other industries be protected? He forgets that there is no part of the world in which the cotton industry has been developed so that it can commence to compete with us, hence it does not require any protection, as there is no situation that can arise where cotton could be introduced against us at a less cost than we can produce it.

"I am convinced that if this bill passes Congress it will be equally as great a benefit to the farmer who produces wheat, or the planter who produces cotton, and they will receive their proportion of the benefit equally as much as the shipbuilder or the shipowner, on account of the new markets that will be created for our largely increased production.

"I have not touched on the fact that to-day we are suffering for American sailors to handle our large and increasing Navy. What would our condition be in time of war, if we allowed our shipbuilding industry to dwindle down to the point where we could not build a ship, and our community to abandon seafaring life so that we could not have a single American sailor behind the American guns? We are certainly drifting into that position, and this bill is the only thing that I see that is going to stem the current and turn the tide in favor of increasing the American merchant marine.

"I think Mr. McLellan is to be congratulated for having published the letter he did in your paper this morning."

PROPOSED AID FOR MERCHANT MARINE.

SEVERAL PLANS ADVANCED FOR LEGISLATION TO REHABILITATE AMERICAN SHIPPING,
AND SUBSIDY IS FAVORED BY MANY.

[By James Wilford Garner, Ph. D., assistant professor of political science, University of Illinois.]

[Chicago Record-Herald, March 2, 1906.]

The passage by the Senate of the Gallinger bill and its strong indorsement by such organizations as the National Banking Association and the National Association of Manufacturers revive again discussion of an old question of governmental policy—one, too, generally criticised and often misunderstood.

Recently Congress has shown a disposition to yield to the increasing pressure of the shipping interests for legislative aid. Two years ago it enacted laws to restrict the carrying trade between the United States and the Philippines, as well as the transportation of military and naval supplies, to American vessels. Likewise it created a commission to investigate the condition and needs of the merchant marine and recommend measures for its improvement. The Commission, under the chairmanship of Senator Gallinger, conducted extended hearings at various places on the Atlantic and Pacific coasts, on the Great Lakes, and in the Gulf States.

The investigation, the most thorough of its kind yet undertaken, seemed to establish the following important facts concerning the condition of the American merchant marine:

1. That only about 9 per cent of the imports and exports of the United States are now being carried in vessels flying the American flag, whereas the amount was once 92 per cent.
2. That practically none of the trade between this country and South America, Asia, and Africa is being transported in American bottoms.
3. That there has been a marked decline in the shipbuilding industries of the United States.

The reasons usually assigned for the decline of American shipping and shipbuilding are, in the first place, that the cost of building ships is greater in American yards than abroad, mainly on account of the high price of shipbuilding material and the high wages paid for labor, the increased cost being variously estimated at from 30 to 50 per cent. The provision in the existing tariff law which allows free importation of steel intended to be used in the construction of ships for foreign trade is largely impaired by the proviso that no vessel constructed wholly or in part of foreign material may be used in the coasting trade.

Another element of which much is made is the extra cost of manning, victualing, and operating American ships, due partly to the higher scale of wages paid American seamen, and partly to the requirement of our navigation laws that virtually all officers operating under the American flag shall be American citizens, that only licensed mates shall be employed, and that no wages shall be paid in advance. Lastly, the American carrier is forced to meet the competition of subsidized merchant vessels of Great Britain, France, Germany, Italy, Austria-Hungary, and even Japan. As a result American merchant vessels have been slowly driven from the seas.

To restore the merchant marine to its former primacy its friends now appeal for legislation which will tend to equalize the cost of construction and operation and at the same time counteract the effect of the foreign subsidies. To bring this about several forms of Government aid have been suggested and discussed.

One is to admit free of duty all shipbuilding material instead of merely allowing a rebate on steel to be used in the construction of foreign ships. Practically all the shipbuilders and experts on maritime industries, however, are agreed in the opinion that such a measure would not of itself rehabilitate the merchant marine.

Another proposition is the "free-ship" scheme to allow American carriers to purchase ships in foreign yards and operate them in the foreign trade under American registry. But in the opinion of shipbuilders the admission of foreign-built ships to American registry would mean the ruin of American yards. The American carrier would, of course, buy his ships abroad in the cheapest markets, leaving the domestic builder only the construction of vessels for the coasting trade. Therefore to sacrifice the shipbuilding industries merely to increase the number of vessels under American registry does not seem to be the proper solution of the difficulty.

The scheme recommended by the minority of the Merchant Marine Commission, and which received the indorsement of the Republican national convention in 1896, is to levy a discriminating tariff on all goods imported in foreign vessels, or a discriminating tonnage duty on such vessels, or both. It does not involve a new policy, but the revival of an old practice followed by the United States prior to 1828. The practical difficulties in the way of this policy, however, have led the majority of the Merchant Marine Commission to oppose it. In the first place, it would require the abrogation of thirty-odd maritime reciprocity treaties, and while the Government has the right to terminate them upon due notice, it is feared that such action would lead to commercial retaliations and possibly international complications.

Furthermore, 43 per cent of all goods imported into the United States are nondutiable under the existing tariff law. To render the discriminating policy equitable and effective it would be necessary to abolish the free list and impose a duty on such goods imported in foreign vessels.

Plainly, there is the plan of direct grants from the Treasury, and this is the principal method recommended by the majority of the merchant marine commission in its final report submitted to Congress December 6 last. The Gallinger bill, embodying the recommendations of the Commission, and which has just passed the Senate, authorizes an increase of the "subventions" allowed

under the postal subsidy act of 1891 to two of the existing mail-contract lines—one to Europe, the other to Australasia—and establishes new ocean mail services with South and Central America, Mexico, South Africa, and the Orient. For the encouragement of "tramp" or cargo vessels a "subvention" of \$5 per ton is allowed annually to owners of all vessels built and registered in the United States and employed in the foreign trade of the deep-sea fisheries, subject to the condition that such vessels may be taken over and used by the United States for the national defense or for any public purpose at any time upon payment of the fair actual value of the same to the owners.

Such vessels must also carry free of charge the mails of the United States upon request of the Government; at least one-sixth of the crew must be American citizens, and a certain proportion must be enrolled as naval volunteers of the United States. To encourage such enrollment, annual retainers, ranging in amount from \$15 to \$100, are authorized to be paid from the Treasury of the United States to volunteers serving at least six months of the preceding year. Finally, a duty of 8 cents per ton is imposed on all vessels, whether American or foreign, entering the United States from any ports on the Western Hemisphere, and 16 cents on vessels from ports in other parts of the world. Eighty per cent of the duty on American vessels is to be remitted, however, where such vessels carry a certain number of American boys who in the course of the voyage receive training in seamanship or engineering.

The bill thus has three definite objects—the promotion of the national defense, the acquisition of new foreign markets through the creation of better mail and transportation facilities, and the addition of revenue to the Treasury from tonnage duties. Admiral Dewey in a recent report points out that one of the weaknesses of the American Navy is its lack of auxiliary vessels, such as scouts, colliers, ammunition ships, tank steamers, transports, dispatch vessels, hospital ships, and similar craft.

The weakness of the Navy in this respect was well illustrated at the outbreak of the war with Spain, when the Government was forced to depend upon purchase, charter, or loans for more than a hundred auxiliary vessels.

Besides furnishing the Navy with auxiliary vessels the merchant marine serves as a nursery for seamen. From whatever source acquired, whether by Government construction or purchase, war vessels must be manned by experienced and trained seamen. They can not, like volunteers for the Army, be drawn by mere proclamation from the field, the shop, or the mine, ready at a moment's notice to take their places behind the guns. More than half of the seamen who sail under the American flag are foreigners, and can not, therefore, be depended upon in war. To encourage the enlistment of American citizens in the merchant marine, and, if possible, to develop a race of native seamen, the Gallinger bill provides, as already pointed out, retainers from the National Treasury.

Finally, and this is most important of all to us as a nation of tremendous resources, of expanding commerce, and of growing manufactures, with the consequent need of new markets for surplus products, it is urged that with American ships carrying a reasonable share of our imports and exports new channels of trade will be opened up. Ships are in a way missionaries of trade and adequate mail facilities are the life-blood of commerce.

To give one illustration: There are no first-class steamship lines between the United States and South America, although there are many such between that continent and Europe. Hence the bulk of our exports to lower South America must go by way of Europe, as a result of which the amount exported is insignificant. When Secretary Root starts to Rio Janiero next spring to attend the Pan-American conference he will find it necessary to cross the Atlantic twice before reaching his destination. This condition of affairs is most unfortunate and means the loss of a trade which, by reason of geographical proximity, if for no other, should belong to the United States.

The shipping interests of the United States maintain that the decline of our merchant marine from a position of primacy to one of insignificance is an anomaly in the industrial history of the United States, and they contend, not without some show of reason, that it is quite as illogical for the country to depend upon foreign ships to distribute its products as it would be for a department store to depend upon the wagons of a competing house to deliver its goods. They further maintain that theirs is now the one great industry of the country which is unprotected, and that it is the only one which, instead of growing and thriving according to American standards, has actually declined relatively until it stands near the bottom of the scale. It now seems clear that Americans can no longer build and operate ships profitably under the existing

laws in competition with foreigners. For this reason their case deserves consideration of Congress, and if it can be done without favoritism and the imposition of burdens upon the people, their appeal for favorable legislation should be granted.

AN APPEAL FROM AMERICAN SAILORS.

AMERICAN SEAMEN'S FEDERATION,
New York, April 17, 1906.

Hon. CHARLES H. GROSVENOR,
Chairman Merchant Marine and Fisheries Committee.

DEAR SIR: The American Seamen's Federation, including in its membership most of the bona fide American citizen seamen on the Atlantic coast, heartily approves the work of the Merchant Marine Commission authorized by Congress on the advice of President Roosevelt, and asks you to join in securing the enactment of the Gallinger bill (Senate, 529), already passed by the Senate and now before the House of Representatives.

This bill in its practical effect would give the country a greatly increased number of American sailors, available to help to promote the commerce of their country in peace and to defend its flag against enemies in war. The Government encourages factories. Why should it not foster shipping? It protects mechanics. Why should it not give some heed to seafaring men?

For many years our ocean shipping has been the only unprotected industry; it is the only industry that has declined. But even precarious employment and lack of opportunity to get ahead have not driven Americans wholly from the sea. The number of shipments of American citizen seamen before United States shipping commissioners has increased from 23,142, or 29 per cent of the whole number, in 1896, to 59,609, or 49 per cent of the whole number, in 1905. If American seamen increase in numbers under such discouraging conditions as these, what would be the result if Congress gave one-half of the heed to the merchant marine that it gives to agriculture or manufacturing?

The American Seamen's Federation especially favors the section of the Gallinger bill which creates a naval reserve of citizen sailors. This naval-reserve feature has been attacked by certain seamen's organizations, nine-tenths of whose members on their own statements are aliens, and therefore excluded from the service. Against the complaint of these foreigners that an American naval reserve is a "press gang" in disguise we set our American opinion that this naval reserve will improve the character of seamen and cause them to be held in higher regard in this country, just as the naval reserve has done already for the seamen of Great Britain.

It is a misrepresentation to say that there is very much that is compulsory about this naval-reserve system. Only one-eighth at first of a ship's crew is required to be naval-reserve men, and more than one American seaman out of eight will gladly volunteer to receive training in gunnery and naval discipline.

This naval-reserve system will not only give the country a needed sea militia and improve the self-respect of seafaring men, but it will also make these men more valuable to their employers. It means better wages and better consideration in every way for those of us who in war must wear our country's uniform. Aliens not eligible for this honorable service should not be allowed to disparage the proposed law before the legislators in Washington. The real American seamen approve and demand it.

More American ships mean surer employment and more chances for bettering our condition. These things will draw American boys to the sea in ever-growing numbers. All these humanitarian laws which Congress can pass will amount to nothing if we have no American vessels on which to sail. We want these laws, but we want also legislation which will give our country larger fleets of ocean ships, and especially do we urge Congress not to forget the sail vessels, on which most of us have first gone to sea, and which are as much needed now as ever to train the all-round, thorough, reliable seamen for the merchant marine and the naval reserve.

Respectfully,

AMERICAN SEAMEN'S FEDERATION,
TOBY VON S. PETERSEN,
Manager.

SHIPBUILDING IN THE UNITED KINGDOM.

STEADY INCREASE SHOWN—VESSELS OF 1,186,715 GROSS TONS BEING BUILT.

LIVERPOOL, April 7, 1906.

From the returns compiled by Lloyd's Register of Shipping it appears that, excluding war ships, there were 547 vessels, of 1,401,882 tons gross, under construction in the United Kingdom at the close of the quarter ending March 31, 1906. The tonnage under construction has shown a steady increase since December, 1903, and the present figures are within 12,000 tons of the total reached in September, 1901, which is the highest on record. As compared with the return for December, 1905, quarter, the figures show an increase of 46,000 tons, while the total for September, 1905, is now exceeded by over 76,000 tons.

Of the vessels under construction in the United Kingdom at the end of March, 127, of 1,028,144 tons, are under the supervision of the surveyors of Lloyd's Register with a view to classification by this society. In addition, 63 vessels, of 158,571 tons, are building abroad with a view to classification. The total building at the present time under the supervision of Lloyd's Register is thus 490 vessels, of 1,186,715 tons. Details of this total follow:

| | Number. | Gross tons. |
|---|---------|-------------|
| Building in United Kingdom for home account, for sale, etc | 362 | 887,968 |
| Building in United Kingdom for foreign and colonial account | 65 | 140,178 |
| Building abroad for United Kingdom owners | 7 | 1,140 |
| Building abroad for foreign account | 56 | 157,431 |
| Total building Mar. 31 for classification in Lloyd's Register | 490 | 1,186,715 |

Of the vessels now under consideration in the United Kingdom, a total of 403, of 1,122,142 tons gross, were for owners in this country and 15, of 58,170 tons for the British colonies. There are now under construction 3 vessels of 20,000 tons and over, 2 of from 15,000 to 20,000 tons, 2 of from 12,000 to 15,000 tons, 1 between 10,000 and 12,000 tons, 5 between 9,000 and 10,000 tons, 3 between 8,000 and 9,000 tons, 5 between 7,000 and 8,000 tons, 15 between 6,000 and 7,000 tons, 24 between 5,000 and 6,000 tons, 79 between 4,000 and 5,000 tons, and 94 between 3,000 and 4,000 tons.

In the United States only four ocean steamers, representing a total tonnage of less than 30,000, are under construction for the overseas trade.

OUR HANDICAP ON THE SEAS.

[From the Marine Review.]

Just at this juncture it is well to draw the attention of Congress to the fact that British shipbuilding in 1905 was a record breaker, and that, therefore, more and more American goods, produced and bought, will be carried in British ships. This is unavoidable, to our heavy loss in freight moneys, while American shipbuilding for foreign trade is refused the protection afforded to other American industries of no greater importance.

Note the largely increased tonnage built in British yards in 1905 compared with 1904:

| | 1905. | | Increase over 1904. |
|---------------------|----------|-----------|---------------------|
| | Vessels. | Tonnage. | Tonnage. |
| English yards | 793 | 1,073,309 | 253,827 |
| Scotch yards | 412 | 587,932 | 125,792 |
| Irish yards | 42 | 149,427 | 91,877 |
| Total | 1,247 | 1,810,668 | 471,496 |

Here is a production in a single year by British yards of more than twice the tonnage of our ocean-going marine, with an increase over 1904 production of more than half that tonnage.

In addition, the British colonies turned out 10,800 tons of new shipping in 1905, making in all 1,821,468 tons for the British Empire.

The following table shows the shares of the principal shipbuilding countries in the world's output of new ship tonnage of 3,000,000 tons in 1905:

| | |
|----------------|-----------|
| British Empire | 1,821,468 |
| Germany | 312,400 |
| France | 101,073 |

Against this large production, almost all for over-sea work, all we have to offer in new tonnage is 368,800 tons, and that was nearly all for use on the Great Lakes. The world's increased ship construction in 1905 was 447,000 tons, but we only shared in it, counting all ships we built, irrespective of purpose, to the extent of 43,625 tons.

Great Britain also had, December 31, many more vessels under construction, of which 500,000 tons has been partly launched since January 1, and all of which will be fully launched early this year.

It is because of the activity in British shipbuilding above noted that the London Times is pleased at being able to say, "The American market has been good, with an active demand for tonnage at freight which compare handsomely with some past records. Undoubtedly the American market has been the great redeeming feature of most of the past year." That's just it. American trade without American ships is a "redeeming feature" year after year for every shipowning country in the world.

JUDGE PARKER AND STEEL RAILS.

[From the Bulletin of the American Iron and Steel Association, Philadelphia, November 10, 1904, James N. Swank, editor and publisher.]

At Esopus, on October 22, Judge Parker delivered an address in which he made an attack in general and in particular upon the protective policy as it has been embodied in our tariff legislation since the foundation of the Government. The existing duty of \$7.84 per ton on steel rails was specifically referred to by the Judge as one of the evils of our protective system. He would blot it out entirely and establish absolute free trade in steel rails. Here are his exact words: "American railways are thus compelled to pay \$7.84 a ton more than a fair price; that is, \$7.84 more than the price at which somebody else would supply them." And he asks: "Why do the railways submit to such extortion?" Evidently because the railway companies know that they are now more cheaply served by domestic manufacturers of steel rails than they would have been if Judge Parker's free-trade policy had been applied to steel rails when the present duty of \$7.84 was established by the Democratic Wilson tariff bill of 1894.

Judge Parker's demand for absolute free trade in steel rails justifies our indulgence in some ancient history with which the Judge is certainly not familiar. It is the exact truth to say that many of our railroads could not have been built if our protective-tariff policy had not built up our iron-rail industry in the third quarter of the nineteenth century and our steel-rail industry in the fourth quarter. Until we began to make our own iron rails and afterwards our own steel rails foreign manufacturers charged us excessive prices for such rails as we could afford to buy. Both of the rail industries mentioned had at the first to struggle for their very existence against foreign competition, the early duties on foreign iron rails and afterwards on foreign steel rails not being sufficiently protective, but in the end the control of the home market was gained, the production of rails increased enormously, and the prices of both iron and steel rails to railroad companies were steadily reduced. Before we began to make our own steel rails English manufacturers charged us more than three times as much per ton for the steel rails we bought from them as American manufacturers have since charged for millions of tons of these rails. These millions of tons have been sold at lower prices than were previously charged for iron rails, either of home or foreign manufacture. The life of a steel rail is well known to be many times longer than that of an iron rail.

In an argument presented to the Ways and Means Committee of the House of Representatives, at Washington, on the 3d of February, 1880, Mr. H. V. Poor

gave the price of steel rails in British ports in 1863 as 369 shillings per ton, or \$89.79. Ten years later, in 1873, the highest price of steel rails in British ports was 350 shillings per ton, or \$85.15. Ten years later, in 1883, the average price of steel rails in this country was \$37.75 per ton, and since that year millions of tons of steel rails have been made and sold in this country at less than \$28 per ton. The present price is \$28.

In ten years after we began the manufacture of steel rails in commercial quantities, which was in 1867, the charge for transporting a bushel of wheat by railroad from Chicago to New York was reduced from 44.2 cents a bushel to 20.3 cents, and it has since been further reduced to 8.75 cents. In 1860, with only iron rails, the charge for moving a ton of freight 1 mile on the New York Central Railroad was 2.065 cents; in 1870, after we had commenced to use steel rails the charge was reduced to 1.884 cents; in 1880, when steel rails were in more general use on our trunk railroads, the charge was further reduced to 8.79 mills, and in 1901 it was still further reduced to 7.4 mills. In the decade from 1870 to 1880 the charge for transporting a barrel of flour from Chicago to New York by rail fell from \$1.60 to 86 cents. In 1903 the freight rate over the Pennsylvania Railroad system in carload lots from Chicago to New York was 36 cents per barrel.

In "The Story of a Grain of Wheat," by William C. Edgar, of Minneapolis, the indebtedness of the farmers of our country to the railroads is frankly and gracefully acknowledged in terms that fully corroborate all that has been above stated. Mr. Edgar says:

"While the agriculturists of the United States have sowed and reaped, and its millers have advanced with the progress of wheat growing, both would have been unable to attain the strong position they now occupy in the world's markets had it not been for the cooperation of the inland and ocean carriers. It must be admitted that the great expansion of the railways of the country and the steady reduction in freight rates, accomplished by an increase of facilities for moving the traffic economically, have been the great factors in the upbuilding of the export trade in wheat and flour. The people of no other wheat-growing nation have been favored by as low rates of freight as the Americans. The railroad of the West extended its rails into promising fields as soon as, and more often before, their freight-producing capacity was known.

"In 1871, when the true quality of spring wheat was discovered, the railroads of the United States operated 44,600 miles; in 1897, 181,000 miles were in operation. The reduction in the rate of freight per ton per mile has more than kept pace with the increase in mileage. In 1859-60 the average rate was 3 cents per ton per mile; in 1896-97 it was four-fifths of a cent. On one railway, the Chesapeake and Ohio, the average freight rate per ton per mile in 1862 was 7 cents; in 1897 it was two-fifths of a cent.

"From 1858 to 1862 the average all-rail rate on a bushel of wheat from Chicago to New York was 38½ cents; from 1863 to 1867 it was 31½ cents; during the next five years it fell to 27½ cents, again declining to 21½ cents in 1873-1877; in 1882 the average for the preceding five years was 16½ cents; this was reduced during the ensuing term to 14½ cents; from 1888 to 1892 it was 14½ cents, and for the five years ending with 1897 it was 12½ cents."

PRICES OF IRON AND STEEL TO FOREIGN BUYERS.

[From the Bulletin of the American Iron and Steel Association, Philadelphia, September 25, 1904. James M. Swank, editor and publisher.]

With regard to the prices at which our iron and steel products have been sold abroad it can be said with entire frankness that, while there have been some sales made at lower prices than have been charged to domestic consumers, the large majority of the sales have been made at the same prices as have been obtained at home or at even higher prices. When lower prices have been charged the inducement to do this has been to dispose of a surplus, as during the years of depression following the panic of 1893 or during the reactionary year 1900, or to secure entrance into a desirable foreign market, or to retain a foothold in a foreign market that has already yielded profitable returns. These reasons for the occasional cutting of prices require no defense. They are akin to the reasons which daily govern sales of manufactured and all other products in domestic markets.

Even in years of prosperity it sometimes happens that a rolling mill or steel works, when running to its full capacity, produces a surplus of its products beyond the immediate wants of its customers or of the general market. If this surplus can be sold abroad, even at prices below current quotations, it is better to do this than to reduce production by stopping the rolling mill or steel works for a few days or even for one day. The men would not only lose their wages during the stoppage, but the manufacturers would lose in many ways. As one incident of the stoppage the home consumers of their products could not be supplied so cheaply as when the plants are running full. A moment's reflection will convince any candid man that the manufacturing establishment that is not kept constantly employed, whether it produces iron and steel or cotton goods, or woolen goods, or pottery, or glassware, or any other articles, can not be operated so economically for its owners or so beneficially for its customers as the establishment that is kept running six days in the week and every week in the year.

Other countries recognize the economic necessity of keeping manufacturing establishments fully employed. A dispatch from Berlin, dated February 13, 1904, says: "Public Works Minister Budde, before the budget committee of the Prussian Diet to-day, defended the practice of the steel-rail syndicate in selling cheaper abroad than at home. He said that the practice was in the interest of the employees, as it gave them steadier employment and prevented shut downs. The giving of steadier work also was in the interest of the manufacturers, since it diminished the cost of production." Mr. Chamberlain's tariff commission has just assigned short time at English iron and steel works as a leading factor in increasing the cost of making iron and steel at these works. The London Statist for July 23 says: "In the opinion of the firms that have replied to the inquiries, and the witnesses who have come before the commission, short time is of infinitely greater importance in increasing the cost of production than all the other general causes mentioned."

It should also be remembered that our tariff legislation for at least a generation has encouraged our manufacturers to seek foreign markets by remitting nearly all of the duties levied on imported raw materials when these raw materials enter into the manufacture of exported finished products. Under the operation of this drawback system our iron and steel manufacturers have been able to manufacture their products intended for foreign markets at a much lower cost than they could supply similar products to home consumers. Iron ore, spiegeleisen, and ferromanganese, for instance, enter into the composition of steel rails, and when imported are dutiable, but 99 per cent of the duty paid on any of these products is remitted when they are used in the manufacture of rails for export. The London Engineering for January 17, 1902, says of this drawback system: "A certain amount of trade is brought into the country that would otherwise be missed, and no one loses anything." It might have added that the raw materials we import and subsequently export in finished forms furnish employment to American workmen.

Finally it may be said that nearly all the money that is paid by foreigners for American steel rails or for other steel products of American manufacture, no matter at what prices they may be sold, and irrespective of the sources of supply of raw materials, is paid to American labor that is engaged in their manufacture, and that fully the half of this money finds its way into the pockets of American farmers. Both the workman and the farmer should be thankful that our protective tariff policy has enabled our manufacturers to sell a part of their products in foreign markets, even if they sometimes sell at a loss.

AMERICAN SHIPS FOR AMERICAN TRADE.

REASONS FOR THE PENDING BILL, WHICH PROVIDES FOR IMPROVED SHIPPING FACILITIES TO LATIN AMERICA, AFRICA, AUSTRALASIA, AND THE ORIENT, WITH EUROPE OMITTED.

[By Senator Jacob H. Gallinger, chairman of the Merchant Marine Commission: Freight, New York, March, 1906.]

On February 14 the Senate passed the ship-subsidy bill by a vote of 38 to 27. Senators Burkett, of Nebraska; Dolliver, of Iowa; La Follette and Spooner, of Wisconsin, and Warner, of Missouri, Republicans, voted with the Democrats against it.

As passed the bill establishes 13 new contract mail lines and increases the subvention to the oceanic line running from the Pacific coast to Australasia. Of the new lines, 3 leave Atlantic coast ports, 1 running to Brazil, 1 to Uruguay and Argentina, and 1 to South Africa; 6 from ports on the Gulf of Mexico, embracing 1 to Brazil, 1 to Cuba, 1 to Mexico, and 3 to Central America and the Isthmus of Panama; 4 from Pacific coast ports, embracing 2 to Japan, China, and the Philippines direct, 1 to Japan, China, and the Philippines via Hawaii, and 1 to Mexico, Central America, and the Isthmus of Panama.

The bill also grants a subvention at the rate of \$5 per gross ton per year to cargo vessels engaged in the foreign trade of the United States, and at the rate of \$6.50 per ton to vessels engaged in the Philippine trade, the Philippine coast-wise law being postponed until 1909.

Another feature of the bill is that creating a naval reserve force of 10,000 officers and men, who are to receive retainers, after the British practice. Vessels receiving subsidies are required to carry a certain proportion of naval reserve men among their crews.

The aggregate compensation for mail lines is about \$3,000,000 annually. No steam vessel of less than 1,000 tons is to receive aid.

Senator Gallinger strengthened the measure against the danger pointed out by Senator Allison in the matter of tramp steamers engaging for a year in voyages from port to port in foreign lands and then coming home to draw subsidy. His amendment provided that no vessel should receive pay for a voyage from one port in the United States to another port in the United States; that a vessel engaged exclusively in carrying between foreign ports and vessels sailing only to foreign ports less than 150 miles from their last port in the United States should be barred from receiving subsidy.

The bill has been sent to the House.

President Roosevelt has led the way in the movement which has produced the important legislation now pending in Congress for the revival of the American merchant marine in over-seas commerce.

In his message to Congress on December 7, 1903, the President declared:

"A majority of our people desire that steps be taken in the interests of American shipping, so that we may once more resume our former position in the ocean carrying trade. But hitherto differences of opinion as to the proper method of reaching this end have been so wide that it has proved impossible to secure the adoption of any particular scheme." In view of these facts President Roosevelt recommended the creation by Congress of a commission "for the purpose of investigating and reporting to the Congress at its next session what legislation is desirable or necessary for the development of the American merchant marine and American commerce and incidentally of a national ocean mail service of auxiliary naval cruisers and naval reserves.

"Moreover, lines of cargo ships are of even more importance than fast mail lines, save so far as the latter can be depended upon to furnish swift auxiliary cruisers in time of war. The establishment of new lines of cargo ships to South America, to Asia, and elsewhere would be much in the interest of our commercial expansion."

THE COMMISSION AND ITS WORK.

Congress authorized the establishment of a commission of five Senators and five Representatives, chosen by the President of the Senate and the Speaker of the House, as follows:

Senate.—Hon. Jacob H. Gallinger, New Hampshire, chairman; Hon. Henry Cabot Lodge, Massachusetts; Hon. Boies Penrose, Pennsylvania; Hon. Thomas S. Martin, Virginia; Hon. Stephen R. Mallory, Florida.

House.—Hon. Charles H. Grosvenor, Ohio; Hon. Edward S. Minor, Wisconsin; Hon. William E. Humphrey, Washington; Hon. Thomas Spight, Mississippi; Hon. Allan L. McDermott, New Jersey.

Between May 23 and December 12, 1904, this Commission gave a series of public hearings in the chief ports of the Atlantic and Pacific States, the Great Lakes, and the Gulf of Mexico, and finally in the city of Washington. Three or four hundred witnesses were heard, not only shipowners and shipbuilders, but merchants and manufacturers interested in the export trade, bankers,

farmers, editors, and lawyers—the testimony making up three volumes of nearly 2,000 printed pages. Early in January, 1905, the report and recommendations of the Commission were duly presented to Congress, and the bill embodying these recommendations was promptly and favorably reported from the proper committees to both the Senate and the House of Representatives. This was the short session, and, lacking time for consideration and action on the bill, Congress before adjournment instructed the Merchant Marine Commission to continue its inquiry and present its final report to the new Congress, which opened in December last. On December 6, 1905, this final report was duly presented in both Senate and House, and a bill was favorably reported from the Committee on Commerce and brought up for consideration in the Senate. President Roosevelt thus refers to the merchant shipping question in his message to Congress December 5, 1905:

"To the spread of our trade in peace and the defense of our flag in war a great and prosperous merchant marine is indispensable. We should have ships of our own and seamen of our own to convey our goods to neutral markets, and in case of need to reinforce our battle line. It can not but be a source of regret and uneasiness to us that the lines of communication with our sister Republics of South America should be chiefly under foreign control. It is not a good thing that American merchants and manufacturers should have to send their goods and letters to South America via Europe if they wish security and dispatch. Even on the Pacific, where our ships have held their own better than on the Atlantic, our merchant flag is now threatened through the liberal aid bestowed by other governments on their own steam lines. I ask your earnest consideration of the report with which the Merchant Marine Commission has followed its long and careful inquiry."

TERMS OF THE PENDING BILL.

This bill of the Merchant Marine Commission is very different from any measure which has hitherto received the attention of the national lawmakers. It follows literally the suggestion of the President that "the establishment of new lines of cargo ships to South America, to Asia, and elsewhere would be much in the interest of our commercial expansion." It is, in practical effect, a bill for improved shipping facilities to Latin America, Africa, Australasia, and the Orient, while Europe is omitted from its calculations.

The reason for this is manifest. The European nations, as a rule, are ship-owning nations. They are also manufacturing nations. They require immense quantities of food stuffs and crude materials from America. They send their ships over for this merchandise, and these ships afford adequate facilities for our import trade from Europe. In regularity and efficiency of service and in low average rates of freight the steamship traffic between Europe and the Atlantic and Gulf coasts of the United States leaves comparatively little to be desired, albeit more than 95 per cent of this trans-Atlantic commerce is conducted by foreign ships run under foreign flags and controlled primarily in foreign interests. Of course it would be desirable to have great American steamship lines on the South Atlantic, but with the heavy subsidies that foreign nations are paying to their established lines there is little hope of successful American competition in the near future.

SOUTH AMERICAN TRADE.

But there is a wide contrast between our shipping facilities to Europe and our shipping facilities to the other continents. The nations of South America the various countries of Africa, and the nations of Asia, with the one important exception of Japan, are not shipowning nations. Not having their own ships, they can not come to our ports for the merchandise they need, and we have few or no ships to deliver the goods which they may desire to purchase from us.

The natural and inevitable result is that our trade and their trade are both seriously handicapped by sheer lack of the regular and efficient transportation facilities requisite for the demands of modern commerce. The shipowning nations of Europe will not furnish adequate facilities. They are willing to allow their surplus tonnage, when they have any—and this is generally their worst tonnage—to engage more or less spasmodically in our trade with South America or the Orient. But they take good care to keep their best and most economical vessels in their own service, and to turn over, as a rule, their oldest and slowest and least economical craft to do the carrying for the Americans.

THE OCEAN MAIL LINES.

The Merchant Marine Commission has gone at this problem in a straightforward way. Realizing that close heed must be paid to the national revenues, the Commission does not propose to bestow a single dollar of national aid upon a fast passenger line to Europe, leaving that for future legislation, if it shall be deemed desirable, but concentrates all the energy of the bill upon developing entirely new commercial lines to Latin America, South America, Australasia, Japan, China, and the Philippines.

These proposed new ocean mail lines are as follows:

First. From a port of the Atlantic coast of the United States to Brazil, on steamships of the United States of not less than 14 knots speed, for a monthly service at a maximum compensation not exceeding \$150,000 a year, or for a fortnightly service at a maximum compensation not exceeding \$300,000 a year.

Second. From a port of the Atlantic coast of the United States to Uruguay and Argentina, on steamships of the United States of not less than 14 knots speed, for a monthly service at a maximum compensation not exceeding \$187,500 a year, or for a fortnightly service at a compensation not exceeding \$375,000 a year.

Third. From a port of the Atlantic coast of the United States to South America, on steamships of the United States of not less than 12 knots speed, for a monthly service at a maximum compensation not exceeding \$187,500 a year, or for a fortnightly service at a maximum compensation not exceeding \$375,000 a year.

Fourth. From a port of the United States on the Gulf of Mexico to Brazil, on steamships of the United States of not less than 12 knots speed, for a monthly service at a maximum compensation not exceeding \$137,500 a year, or for a fortnightly service at a maximum compensation not exceeding \$275,000 a year.

Fifth. From a port of the United States on the Gulf of Mexico to Cuba, on steamships of the United States of not less than 14 knots speed, for a semi-weekly service at a maximum compensation not exceeding \$75,000 a year.

Sixth. From a port of the United States on the Gulf of Mexico to Central America and the Isthmus of Panama, on steamships of the United States of not less than 12 knots speed, for a weekly service at a maximum compensation not exceeding \$75,000 a year.

Seventh. From a port of the United States on the Gulf of Mexico to Mexico, on steamships of the United States of not less than 12 knots speed, for a weekly service at a maximum compensation not exceeding \$75,000 a year.

Eighth. From a port of the Pacific coast of the United States, via Hawaii, to Japan, China, and the Philippines, on steamships of the United States of not less than 16 knots speed, for a monthly service at a maximum compensation not exceeding \$300,000 a year, or for a fortnightly service at a maximum compensation not exceeding \$600,000 a year.

Ninth. From a port of the Pacific coast of the United States to Japan, China, and the Philippines, on steamships of the United States of not less than 13 knots speed, for a monthly service at a maximum compensation not exceeding \$210,000 a year, or for a fortnightly service at a maximum compensation not exceeding \$420,000 a year.

Tenth. From a port of the Pacific coast of the United States, via Hawaii and the Samoan Islands, to Australia, on steamships of the United States of not less than 16 knots speed, for a service once in three weeks at a maximum compensation not exceeding \$217,000 a year in addition to the compensation now provided pursuant to contract under the act of March 3, 1891, entitled "An act to provide for ocean mail service between the United States and foreign ports, and to promote commerce."

Eleventh. From a port of the Pacific coast of the United States to Mexico, Central America, and the Isthmus of Panama, on steamships of the United States of not less than 12 knots speed, for a fortnightly service at a maximum compensation not exceeding \$120,000 a year; provided that the requirements of this section as to the rates of speed shall be deemed to be complied with if said rates are developed during a trial of four hours' continuous steaming at sea in ordinary weather in water of sufficient depth to make the test a fair and just one, and if the vessels are maintained in a condition to develop such speed at any time while at sea in ordinary weather. This trial shall be made under the direction and supervision of a board of naval officers, which the Secretary of the Navy shall appoint upon the application of the owner or owners of the vessel to be tested.

OUR FLAG IN DANGER.

Of these eleven lines, only that to Australasia is an existing mail line under contract with the Government. All of the seven lines in the Atlantic and the Gulf of Mexico are absolutely new, for not one American steamer is now running regularly on any of the routes suggested. A few American steamers are now running on the Pacific routes, but in no case is the service profitable and self-sustaining, and the American people may be very sure that those few ships will not continue to run unless adequate national aid is speedily forthcoming.

There are, for example, four or five American steamers of the Pacific Mail Company running in connection with foreign steamers from San Francisco to Japan, China, and occasionally the Philippines. But this is by no means the full service contemplated in the proposed bill. New ships would have to be constructed for this service if it is to run fortnightly to Manila, and the Asiatic crews of the existing ships would have to be displaced in whole or in part by white men, half of whom must be American citizens.

These four or five American steamers, including the fastest ships in the trans-Pacific service, are paid for carrying the bulk of our oriental mails from \$60,000 to \$80,000 a year. Three smaller Japanese steamers paralleling the trans-Pacific route of the Pacific Mail are given a subsidy of between \$500,000 and \$600,000 a year by their Government.

BOUGHT BY THE JAPANESE.

The result is, of course, that the American ships can earn and pay no dividends. This fact is perfectly well known in Japan, and the great Japanese steamship company, the Toyo Kisen Kaisha, has offered to purchase these great vessels, haul down the American flag and hoist its own flag, and operate these ships in Japanese trade, for Japanese interests, with a subsidy already assured.

A similar option, it is understood, has been sought by the Japanese on the American ocean mail line from San Francisco to Samoa, Auckland, and Sydney, and the Oceanic Steamship Company telegraphs significantly:

"Will not sell Oceanic steamships so long as have reasonable hope of keeping them under American flag. Fate of shipping bill will decide ours."

In view of this emphatic warning, the bill before Congress proposes to add \$217,000 a year to the present mail compensation of the Oceanic Company, making \$500,000 in all. This is the only instance in which there is an increase in the mail subvention of an existing line under contract with the Government. This American line to Australasia performs the swiftest service in the South Pacific, and receives a compensation much lower than that of competing European lines, which are under much less rigorous requirements. It would not be a pleasant thing to see the fine Oceanic steamers—designed and built as "merchant cruisers" of the United States—taken over to the Japanese flag, and diverted from San Francisco to run between Yokohama and Australia. A Congress which permitted this to be done would be liable to hear in a very emphatic way from the American people.

THE PUGET SOUND LINE.

So, too, with the few steamers now running from Puget Sound to Japan, China, and the Philippines. They receive a few thousand dollars in mail pay, and compete directly with a Japanese line of three steamers enjoying a subsidy of \$330,000 a year, and a British (Canadian Pacific) line with a subsidy of \$300,000. It is not strange that Mr. James J. Hill has declared that under present conditions he would never build another steamship in America, and that President Winsor, of the Boston Steamship Company, has given fair notice that unless some relief is forthcoming he must lower his flag and quit the route. Failure or long postponement of the present bill would unquestionably mean the disappearance of the American flag from the Pacific almost as completely as it has vanished from the North Atlantic. The pending legislation would not only require these American companies to maintain, but would enable them to greatly increase their tonnage.

AID FOR "TRAMP" CARGO VESSELS.

Subventions to ocean mail lines are not, however, the only form of encouragement contained in the shipping bill. The useful, hard-working ocean "tramps,"

or cargo vessels, steam and sail, are not forgotten. A general subvention at the rate of \$5 per gross ton per year—\$6.50 in our Philippine trade—is offered to all American owners of cargo craft in foreign commerce who are willing to hold their vessels at the disposal of the Government in time of war, to keep them seaworthy and efficient, to carry the mails free of charge, to make all ordinary repairs in the United States, to employ a certain proportion of Americans in their crews and a certain increasing proportion of naval-reserve men, who must all be American citizens. This is also required of the mail liners.

There can be no favoritism in such a proposition as this. It is open on fair and equal terms to all American shipowners, with the proviso, however, that no given ship shall receive this subvention for a longer period than ten years. The United States, producing and exporting lumber, cotton, grain, and provisions, stands in imperative need of a large fleet of vessels adapted to the transportation of these bulky commodities. Moreover, ocean mail lines are not complete without a considerable auxiliary tonnage of cargo craft of this description.

Great Britain and Germany give no subsidies to "tramp" steamers, but bestow their aid from the national treasury exclusively on great mail lines. Of course, in both countries the "tramp" steamers are indirectly benefited by this policy, which stimulates shipbuilding and creates trade routes, where rough cargo craft become indispensable for the carrying of certain cheap commodities. But the mere fact that the British and German Governments subsidize vessels of a class that may perhaps be termed the aristocracy of the sea instead of the hard-working democracy is in itself no conclusive reason why this policy should be imitated by America. In developing our merchant shipping we must heed the peculiar demands of our own export trade, and this export trade requires not only regular mail lines, but "tramp" vessels running hither and thither wherever there is a market for American goods or a cargo of essential materials for American industry.

"DELIVERY WAGON" SHIPS.

One frequent criticism of previous shipping bills, especially in the West, has been that they do not lay sufficient emphasis on the "delivery wagon" vessel. There can be no such complaint of the present measure, for after a few years the larger part of the subventions payable under it will go, not to mail lines, but to cargo craft in general commerce. The rate of subvention proposed—\$5 per gross ton per year, or \$6.50 in the Philippine trade—will not build floating palaces. It will not encourage the construction of the swift and expensive steamers required for the passenger trade to Europe. Such vessels cost from \$150 to \$200 per ton. But cargo ships can be built for \$50 or \$75 per ton, and the subventions of this bill offer adequate inducement for the building and operation of this useful class of floating property. This subvention implies the closest thrift and vigilance upon the part of shipowners. It equalizes conditions with foreign ships, but does little or nothing more. It leaves a great deal to the energy and enterprise of American shipowners. No man can depend upon the subvention alone to make his business successful. It is not a bonus. It is not a gift outright. It has got to be earned by alertness and industry.

ADEQUATE AND EFFECTIVE.

But the great majority of practical American shipowners operating cargo vessels, part in the coastwise trade and part in the foreign trade, express the opinion that with economy and enterprise they can build and run ships, with the aid of this cargo subvention, in the trade to the West Indies, South America, and the Orient. Ships built for this traffic will be available, in case of an emergency, to convey our export merchandise to Europe. But the trans-Atlantic trade is now fairly well taken care of by the foreign steamship companies, and is not likely to be interrupted by anything save a serious foreign war. It is well to remember, however, that even the little Boer war a few years ago caused Great Britain to withdraw a million tons of steamships for her transport service, brought a sharp advance in freight rates, and cut off at a single stroke millions of dollars of our export commerce—the loss falling directly upon the farmers of the West and the cotton planters of the South. A respectable merchant marine in foreign trade, from which spare tonnage could be swiftly drawn, would have saved the United States from this disaster.

There is nothing especially abstruse about this question of American shipping in the general ocean trade. It is governed by the same principles which rule our splendid system of internal transportation. There was a time when stage coaches, wagons, and flatboats sufficed for the domestic traffic of our country. There were then those who urged that these facilities were adequate, just as there are now foreign steamship owners and their friends and allies who insist that crazy, old, pot-metal craft, discarded from European services, are adequate to convey the commerce of the United States with its sister republics of South America.

We have adequate facilities of transportation by rail to Canada and by rail and sea to Mexico. Canada and Mexico buy more goods from the United States than from any other nation. In both of these American countries, our near and great neighbors, the United States holds a paramount position, which it should hold in every country of this Western Hemisphere.

TRANSPORTATION THE MAIN FACTOR.

It is essentially a matter of transportation facilities. There are, of course, some other influences that are needful, like an improved consular service, banking facilities, etc. But transportation is, after all, the main factor in the situation. It is no mere coincidence that the two South American countries to which the United States sells more merchandise than any European nation are the two countries directly connected by American lines of steamships with the ports of the United States. These two countries are Colombia and Venezuela. While we lag far behind England and Germany in Argentina, Chile, and Brazil, we sell to Venezuela nearly twice as much merchandise as either Germany or Great Britain. And we sell to Colombia—an American steam line runs in the Atlantic and another in the Pacific to the Isthmus of Panama—more than twice as much as Great Britain sells and five times as much as Germany. There can be no doubt that with adequate American shipping facilities to Brazil, Argentina, and the other large countries of South America we shall eventually surpass Europe and dominate those markets as we now dominate the markets of Cuba, Mexico, Venezuela, and Colombia.

COST OF OUR LACK OF SHIPS.

As it is, lacking American ships, we are now selling to Brazil 30 per cent less of American flour, provisions, and cotton goods and machinery than we sold a dozen years ago; while out of a total foreign commerce of upward of \$400,000,000 in Argentina, our share is the petty one of only about \$25,000,000. Not only is Argentine flour driving the flour of our Northwest out of Brazilian ports, but flour from Austria-Hungary is doing the same thing. And the chief reason for it is to be found in the fact declared by the Brazilian Review that the freight rates on flour by subsidized Austrian lines to Brazil are much lower than the rates by the ships of the foreign "combine" from New York to Pernambuco, Rio, and Santos.

Our export trade to South Africa has fallen off heavily in recent years. At the same time Canadian exports to Cape Town and Natal have increased from \$26,815 in 1901 to \$2,228,000. The chief reason for this is the establishment of a direct Canadian subsidized steamship line. Our consul-general at Cape Town states that, while freight rates by the steamships of the European "combine" from New York to Cape Town are \$6.70 per ton and to East London and Durban \$7.91, the rates by the subsidized Canadian ships from Montreal are \$4.26 and \$4.87, thus giving a great advantage to Canadian manufacturers, farmers, and lumbermen as compared with their American competitors.

You must have at least as good transportation facilities and as favorable rates as your rival has, or you will get no business. A great deal is being said of the evil effects of discriminations in the railroad traffic of the United States. How about discriminations by foreign shipowners against American producers in the markets of the world?

DRIVEN ABROAD.

Of recent years there has been a marked tendency on the part of American manufacturers who have developed an export trade to establish factories in Canada or in Great Britain and Germany. It is far more than lower wages and expenses that have drawn them thither. Following the example of the Stand-

and Varnish Company, a great firm of paint manufacturers, A. A. Eberson & Co., of St. Louis, recently established a manufacturing plant in London. The head of the firm returned to this country and was asked why he had thus invested American capital abroad. Mr. Eberson gave this significant answer:

"Under existing conditions as to shipping possibilities in the United States I believe there is more money for us to manufacture for export to England than here. You can go to any wharf in London and see English ships bringing freight from all ports of the world, and you can send your goods out from English ports in those same ships. You manufacture in the United States and look for American ships to take your goods, and you do not find them. If you want to freight by ships you must turn to foreigners. That's something for the opponents of the American ship-subsidy bill to think about. It's a fact that has determined more than one American manufacturer to establish plants in England, for we are not the only ones who are going over there."

These are facts of profound concern to the Government and to the people of the United States. We have the best system of inland and coastwise transportation in the world. But, of all the great commercial nations, we have the worst system of ocean transportation, because, while protecting and encouraging everything else, even to the point of lavishness, we have almost altogether neglected this important interest. It is estimated that the subventions proposed by the Merchant Marine Commission will cost about \$4,500,000 a year for ten years. That money will have to come out of the Treasury. But it will give us a great merchant marine. It will give us transportation facilities to the markets of South America, Africa, Asia, and Australasia, and eventually transportation facilities of our own to Europe. It will make it unnecessary for American manufacturers to go abroad to find facilities for their export trade. It will cost \$4,500,000 a year, but it will bring a commerce a hundredfold more than that to the manufacturers, farmers, and merchants of America.

SHIPBUILDING BOUNTIES IN THE SOUTH.

ACTS PASSED BY THE FOURTH LEGISLATURE OF LOUISIANA.

[No. 313 page 213, approved March 13, 1852.]

AN ACT To encourage shipbuilding in Louisiana.

Whereas materials of the best quality for the building of ships are found in great abundance in this State, and said materials are actually carried to a great distance, at great cost, and then converted into ships; and whereas it has been found by experience that the resources of a State may often be developed by the offering of a reward or bonus for the introduction of an art or agriculture product; and whereas it would be highly convenient and profitable to our citizens to have ships built in Louisiana, and it is believed that this branch of business might be established upon a permanent basis by giving it a slight encouragement for a little period: Therefore,

SECTION 1. *Be it enacted by the senate and house of representatives of the State of Louisiana in general assembly convened,* That a reward or bonus is hereby offered and shall be given by this State to each and every person or association of persons, whether resident of this State or otherwise, who shall build and complete within this State any ship or ships, vessel or vessels, of a tonnage each of more than one hundred tons burden, which reward or bonus shall be five dollars per ton, custom-house measurement, for each and every ship or vessel and for each and every seagoing steamer so built and completed as aforesaid, and four dollars per ton for each and every river or lake steamer so built and completed as aforesaid.

SEC. 2. *Be it further enacted, etc.,* That any person demanding the reward or bonus provided by this act shall file in the office of the secretary of state a certificate signed by the collector of the port and the builder of any vessel or vessels, which said certificate shall state the name or names of the builder or builders, the name and tonnage of the ship or other vessel, and that said ship or other vessel was wholly built and completed within this State after the passage of this act, and upon the production of a copy of said certificate, countersigned by the secretary of state, it shall be the duty of the auditor of public

accounts to give to the holder of said certified copy a warrant upon the treasurer for the amount to which said holder may be entitled under the provisions of this act.

SEC. 3. *Be it further enacted, etc.,* That this act shall be in force for and during the term of five years from and after its passage.

ARTICLES IN CARGO OF AMERICAN STEAMSHIP "SHAWMUT," FROM TACOMA AND SEATTLE FOR YOKOHAMA, KOBE, MOJI, SHANGHAI, HONGKONG, AND MANILA.

Bicycles, books, bridges (steel), building paper, canned meats, canned oysters, castings, cedar poles, cigarettes, condensed milk, copper ingots, cotton cloths, drugs, electrical machinery, flour, furniture, hay, lard, locomotives, malted milk, nails, oats, paints, paper (in bales), pianos, piles, pipe (iron), potatoes, railway cars, rifles, roots, salmon, spikes.

FOOD OF AMERICAN SAILORS.

Forecastle bill of fare—Boston and Philadelphia Steamship Company.

MONDAY.—*Breakfast:* Oatmeal, steak, potatoes, bread and butter, coffee with milk and sugar. *Dinner:* Soup, roast beef, potatoes, turnips, bread, coffee, dessert. *Supper:* Cold meat, beef stew, bread, tea with milk and sugar, dessert.

TUESDAY.—*Breakfast:* Boiled hominy, pork chops, potatoes, bread and butter, coffee with milk and sugar. *Dinner:* Soup, corned beef and cabbage, potatoes, bread, coffee, dessert. *Supper:* Cold meat, fried potatoes, bread, tea with milk and sugar.

WEDNESDAY.—*Breakfast:* Hamburg steak, potatoes, bread and butter, corn bread, coffee with milk and sugar. *Dinner:* Soup, roast beef, potatoes, macaroni, bread and butter, coffee, dessert. *Supper:* Cold meat, beef hash, bread, tea with milk and sugar, dessert.

THURSDAY.—*Breakfast:* Oatmeal, beefsteak, potatoes, bread and butter, coffee with milk and sugar. *Dinner:* Soup, corned beef, and cabbage, potatoes, bread, coffee, dessert. *Supper:* Cold meat, fried potatoes, bread, tea with milk and sugar, prunes.

FRIDAY.—*Breakfast:* Hominy, fried fish, cold meat, potatoes, bread and butter, coffee with milk and sugar. *Dinner:* Chowder, salt cod, pork scraps; roast beef, potatoes, beets, bread, coffee, dessert. *Supper:* Cold meat, codfish hash, bread, tea with milk and sugar, dessert.

SATURDAY.—*Breakfast:* Oatmeal, beefsteak, potatoes, corn bread, bread and butter, coffee with milk and sugar. *Dinner:* Soup, mutton stew, potatoes, turnips, bread, coffee, dessert. *Supper:* Cold meat, fried potatoes, bread, tea with milk and sugar, dessert.

SUNDAY.—*Breakfast:* Hominy, beefsteak, baked beans, potatoes, bread and butter, coffee with milk and sugar. *Dinner:* Soup, corned beef and cabbage, potatoes, bread and butter, coffee, dessert. *Supper:* Cold meat, beef hash, baked beans, bread, tea with milk and sugar.

The coffee, tea, oatmeal, and hominy shall have the milk and sugar added in the kitchen.

SAILING VESSELS.

GERMANY PLANS TO REVIVE THE INDUSTRY IN ORDER TO TRAIN SEAMEN.

[From Daily Consular and Trade Reports, March 19, 1906.]

Consul Pitcairn, writing from Hamburg on the suggested subsidy for the German sailing fleet, quotes a recent report by the Commercial Association of Olden-

burg. Consul Pitcairn, writing from Hamburg on the suggested subsidy for the German sailing fleet, quotes a recent report by the Commercial Association of Oldenburg. He says in part:

Australia. This is due to the keen competition, making it often impossible for sailing vessels to cover expenses. German steamships and sailing craft were equal in tonnage in 1899, since which time the former fleet has increased 138 per cent, while the latter decreased 38 per cent. Brigs have almost disappeared, barks and three-masted schooners have decreased, while large four-masted and full-rigged ships have maintained their position.

"The German Government has become actively interested in the reviving of the Empire's ship-sailing trade, because of the rapid development of their navy and the great need of seamen. Sailing vessels are the only practical schools for deck hands. The Government also desires to preserve and promote the small shipbuilding yards, which are declining. Concerning a possible subsidy for this industry, the French sailing-vessel subsidy of 32.8 cents per ton for every 1,000 miles sailed is mentioned. For the 18,000-mile voyage from Europe to the west coast of South America a 2,000-ton vessel receives \$14,565.

"It is proposed to make an appropriation in Germany of 35.7 cents per day and capita for training men on small sailing vessels. For 2,335 men this would require yearly only \$250,080 for a ten-month service, and would relieve many a poor skipper, payments being \$107 to \$214 per small vessel. An extension to the larger sailing craft would require \$1,067,240 per annum, increase the fleet of German sailing vessels, which would be manned more by German seamen, and afford annually 2,000 young men entrance to the mariner's career."

THE MERCHANT MARINE BILL.

By J. H. GALLINGER, *United States Senator from New Hampshire and chairman of the Merchant Marine Commission.*

[American Industries, March, 1906.]

"Delivery-wagon" ships are what are provided for in the bill of the Merchant Marine Commission which has just passed the national Senate by a decisive majority and goes to the House of Representatives. No swift and luxurious ocean greyhounds, no "floating palaces" are to be created by this moderate businesslike measure, which follows closely the urgent recommendations of the late President McKinley and of President Roosevelt, and is fortunate enough to have the hearty approval of bodies representing the great industrial interests of the United States.

Not a dollar of expenditure is authorized by this bill on new, fast passenger lines to Europe. In this respect the bill is radically unlike any other shipping legislation ever presented to Congress. This was one of the first points which had to be determined by the Senators and Representatives of the Merchant Marine Commission, and after due thought it was unanimously resolved to throw the whole weight of the proposed measure toward the creation of new shipping facilities to the half-developed markets of the West Indies, Central and South America, Africa, and the Orient. At one time a proposition was accepted to add \$250,000 to the mail compensation of the one American trans-Atlantic line from New York to Southampton, but this was subsequently withdrawn. The only increased compensation to an existing contract mail line provided for in the entire bill as it passed the Senate is to the new line to Australasia, which is both the best line and the most poorly paid plying in South Pacific waters, and must inevitably succumb unless adequate aid is speedily forthcoming.

With this solitary exception the mail subventions contained in the bill all go to routes where there is now no regular and efficient American steamship service. Indeed, not so much as one American steamer is running at the present time on any of the new mail routes proposed in the Atlantic and the Gulf of Mexico. These new routes are: An Atlantic port to Brazil. An Atlantic port to Argentina. An Atlantic port to South Africa. A South Atlantic port to Cuba. A Gulf port to Cuba. A Gulf port to Brazil. A Gulf port to Isthmus of Panama. A Gulf port to Mexico. A Pacific port via Hawaii to Japan, China, and the Philippines. A North Pacific port direct to Japan, China, and the Philippines. A Pacific port to Mexico, Central America, and the Isthmus of Panama.

The added compensation of \$217,000 to the existing line from San Francisco to Auckland and Sydney seems to be fully justified. Thus encouraged this line

will construct new tonnage and strengthen its service, and as a result our trade with Australasia will be largely increased. Altogether these ocean mail routes will require from 50 to 60 steamships, of an aggregate of from 200,000 to 300,000 tons. No excessive speed is to be demanded on any of these routes, 14 knots being the maximum on the chief South American lines and 16 on the chief line to the Orient. But this is sufficient for the purpose, and, indeed, marks a great advance over existing conditions in the South American trade, while at the same time these 14 and 16 knot ships will possess a very large carrying capacity for all kinds of merchandise.

The Navy Department states that it requires as an auxiliary fleet not only the fast "scouts" and cruisers to be found only in the trans-Atlantic passenger service, but a large number of ammunition ships, supply ships, transports, fast colliers and the like, of from 12 to 15 knots. The War Department states that it requires transports of a speed of 12 knots. Manifestly, therefore, though the mail liners that may be constructed under the provisions of this bill will not be "greyhounds," they will be fast enough to meet the conditions prescribed for auxiliary vessels by both arms of the national defense.

The maximum cost of the proposed new mail lines, if they are all established, will be about \$3,000,000 a year; this for a dozen different lines to the ports of four continents. It is worth noting in this connection that Great Britain gives \$1,600,000 a year to a single British company, the Peninsular and Oriental; that Germany gives \$1,330,000 to the North German Lloyd, and France upward of \$1,500,000 each to the Compagnie Générale Transatlantique and Messageries Maritimes. Our proposed American subventions, ranging from \$50,000 for the Gulf line to Mexico to \$600,000 for the long service via Hawaii to the Orient, are modest, indeed, as compared with the great expenditures of our maritime competitors. But the most experienced of American ship merchants declare their belief that on a majority of the proposed lines these subventions will be adequate if joined with American thrift, alertness, enterprise, and perseverance.

But these ocean mail services are not all. Bearing well in mind President Roosevelt's admonition, in his message to Congress urging the creation of the Merchant Marine Commission, that "lines of cargo ships are of even more importance than fast mail lines," and that such vessels running "to South America, to Asia, and elsewhere would be much in the interest of commercial expansion," we have made an especial provision for the encouragement of cargo vessels in the offer of subventions to such vessels at the rate of \$5 per gross ton a year, or of \$6.50 if engaged in Philippine commerce. This is not a bounty outright; its terms are most carefully guarded. In order to receive this subvention cargo vessels must be of a size suitable for ocean trade (at least 1,000 tons if steam and 200 tons if sail); they must be held at the disposal of the Government in war; they must carry the mails free of charge; they must have a competent crew, a certain increasing proportion of whom shall be Americans; they must be seaworthy and efficient; they must make all ordinary repairs in the United States, and they must carry an increasing proportion of American naval reserve men—these men to be enrolled by the Navy Department out of the best officers and men of the merchant marine and fisheries, to be instructed in gunnery, etc., so that they would be of immediate use in war, and in recognition of their peculiar value to receive annual retainers ranging from \$110 for a lieutenant of the reserve to \$24 for a young seaman—this after the successful practice of Great Britain, the only other nation having a volunteer auxiliary service.

These subventions to cargo vessels are payable only to such as are "exclusively common carriers for the service of the public," and are not payable to vessels that leave the United States export or import trade to engage in the commerce of other nations. Deep-sea fishing vessels receive the benefit of the subventions in recognition of the peculiar value to the national defense of our hardy and courageous fishermen. Germany, France, Canada, and Japan, with this same purpose in view, all foster their ocean fisheries by bounties, and the British Admiralty has recently included the Newfoundland fishermen in its naval reserve.

This bill of the Merchant Marine Commission has the earnest support of the National Administration, of the Army and Navy, and of the great and powerful mercantile associations of America. Arrayed against it is still some partisan opposition, some sectional distrust. But the opposition has steadily lessened as the bill has been debated, and its breadth of scope, its sincerity of purpose, have come to be more thoroughly understood. I do not pretend that it is a perfect measure, but it is certainly an honest one, absolutely free from any-

thing like favoritism, and seeking in every paragraph and line to promote the interests of the entire nation. As President Roosevelt said in his message to Congress on December 5, 1905:

"To the spread of our trade in peace and the defense of our flag in war a great and prosperous merchant marine is indispensable. We should have ships of our own and seamen of our own to convey our goods to neutral markets, and in case of need to reenforce our battle line. It can not but be a source of regret and uneasiness to us that the lines of communication with our sister republics of South America should be chiefly under foreign control. It is not a good thing that American merchants and manufacturers should have to send their goods and letters to South America via Europe if they wish security and dispatch. Even on the Pacific, where our ships have held their own better than on the Atlantic, our merchant flag is now threatened through the liberal aid bestowed by other governments on their own steam lines. I ask your earnest consideration of the report with which the Merchant Marine Commission has followed its long and careful inquiry."

The Senate has considered the report, and, after thorough debate, has passed the bill. It has done its duty. The complete fulfillment of the desire of the Administration, and of the pledge of the platform on which Theodore Roosevelt was elected President, rests now with the Speaker and the House of Representatives.

JAMES J. HILL'S VIEWS.

HIS OPINIONS ON SOUTH AMERICAN INVESTMENTS, THE PANAMA CANAL, AND SHIP SUBSIDIES.

[From newspaper dispatches of July 17, 1905.]

NEW YORK, *July 16.*

James J. Hill is quoted as saying: "If the West raises over 600,000,000 bushels of wheat this year, it will be doing well. But if we gather 600,000,000 bushels of wheat and a 10,000,000-bale crop of cotton we shall do well.

"We are dillydallying with South America and are trying to build the Panama Canal. What good will come of it? We have not the ships, and freight rates to the East are against us. We have not the protecting laws for a merchant marine. I shall certainly never again build a ship under the American flag. * * *

"I would like to see more aggressiveness on the part of our merchants and some fostering care which a national government ought to give to its commerce. Let us have more common-sense and business-like methods in our national administration. Let there be a business awakening."

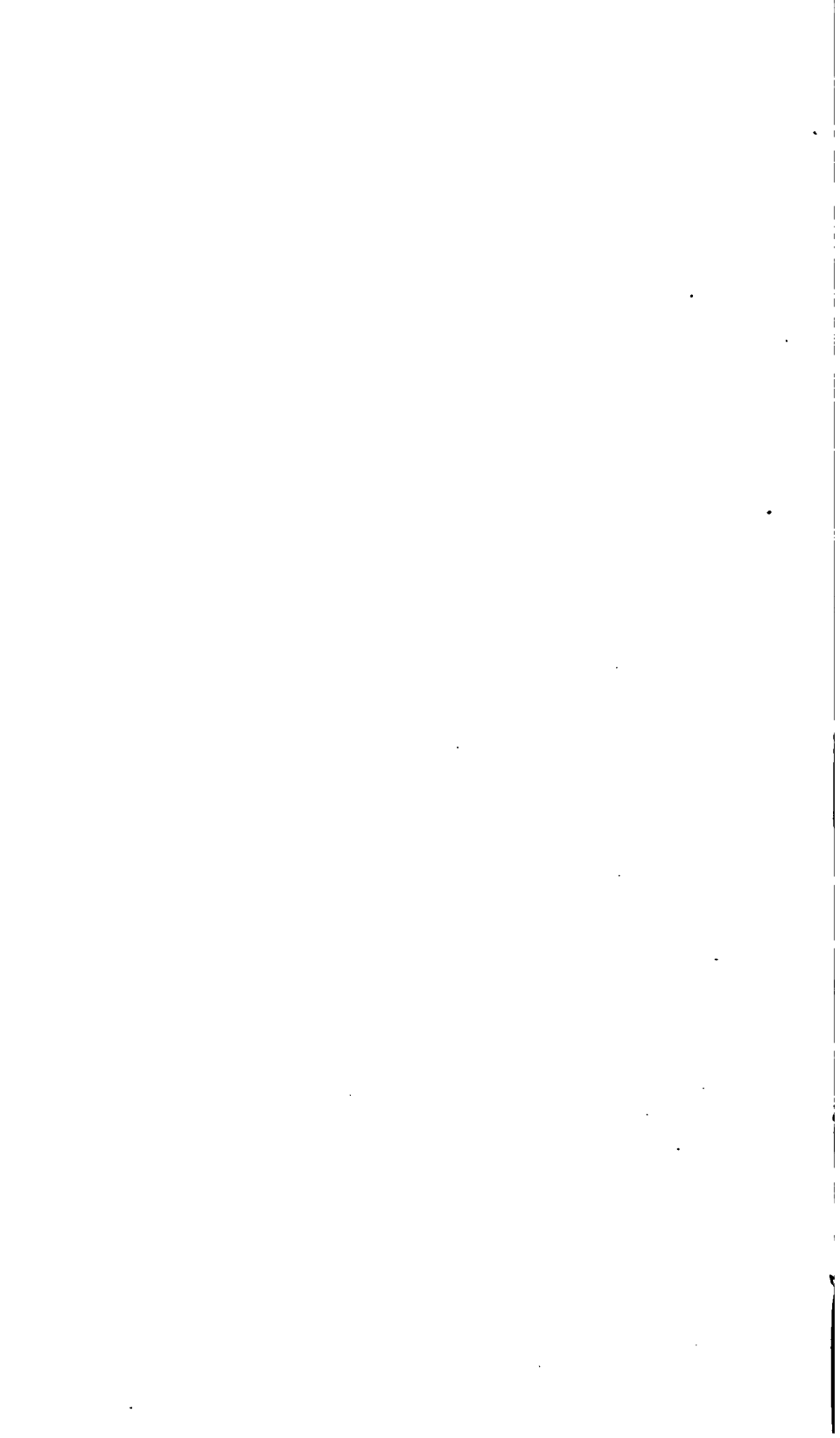
DEVELOPMENT OF THE AMERICAN MERCHANT MARINE AND AMERICAN COMMERCE.

(MEMORANDA OF THE MERCHANT MARINE COMMISSION.)

PRESENTED BY MR. GROSVENOR.

CONTENTS.

| | Page. |
|---|-------|
| 1. Merchant marine as auxiliary to the Navy | 469 |
| 2. Merchant steamships as transports in war | 480 |
| 3. The West and the merchant marine | 487 |
| 4. Ship materials already free | 493 |
| 5. What other nations do for their shipping | 498 |
| 6. Some facts about the French subsidy system | 503 |
| 7. The "free ship" question | 506 |
| 8. Tonnage taxes | 512 |
| 9. South American trade | 513 |
| 10. Philippine trade | 524 |
| 11. Discriminating duties | 525 |
| 12. Proposed ocean mail lines | 528 |
| 13. Existing ocean mail lines under act of 1891 | 533 |
| 14. Subventions to cargo vessels | 537 |
| 15. Subventions to the deep-sea fisheries | 539 |
| 16. Resolutions in favor of the bill | 540 |
| 17. American ships for American commerce | 555 |



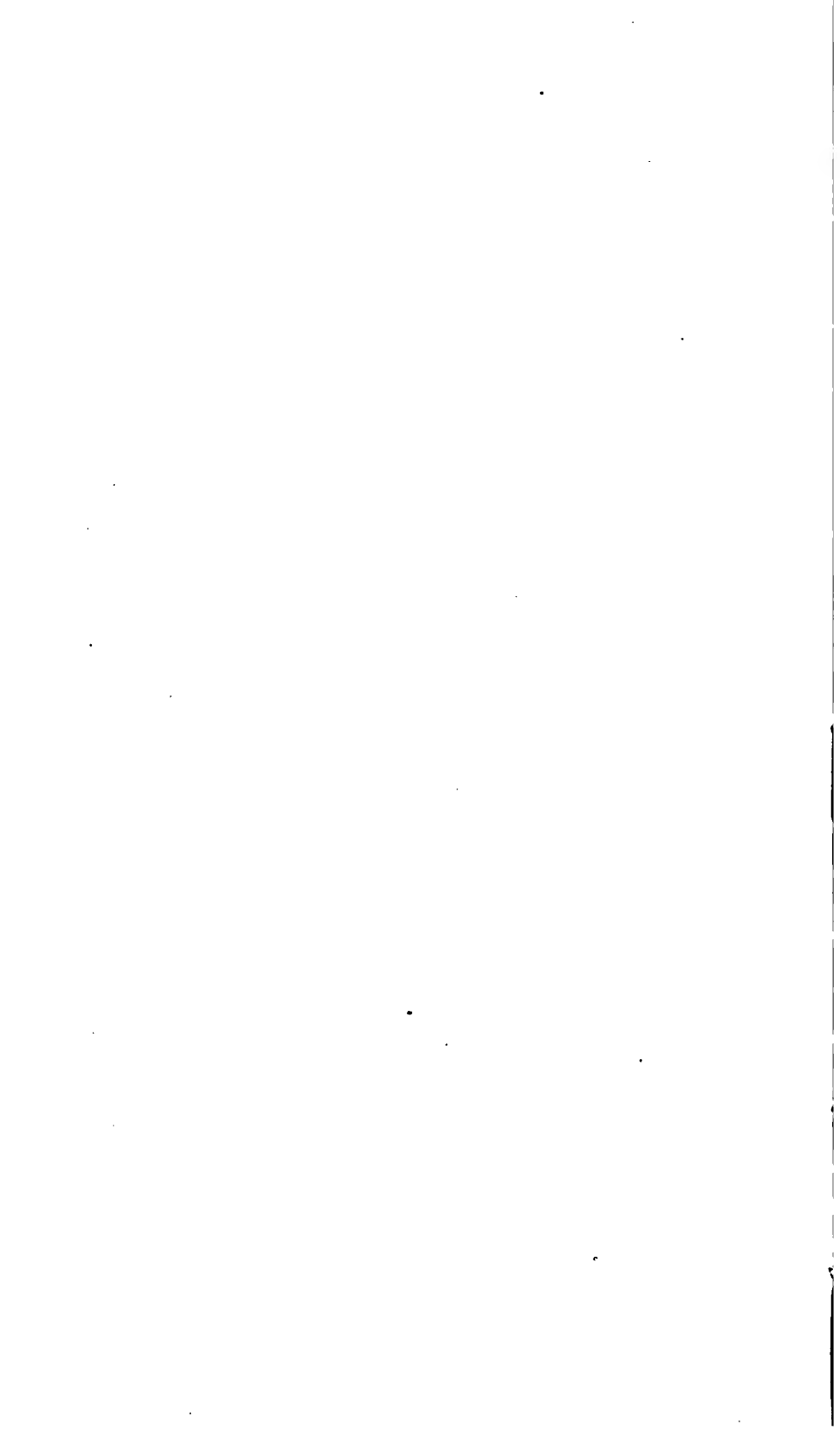
WASHINGTON, D. C., *February 24, 1906.*

Hon. JOSEPH G. CANNON, *Speaker:*

I have the honor to present a supplemental report from the Merchant Marine Commission created under the law of Congress. I ask that this report be printed and referred to the Committee on the Merchant Marine and Fisheries.

Respectfully,

C. H. GROSVENOR,
Chairman of House Membership.



THE MERCHANT MARINE AS AN AUXILIARY TO THE NAVY.

REPORT OF ADMIRAL GEORGE DEWEY, PRESIDENT GENERAL BOARD,
NAVY DEPARTMENT, WASHINGTON, NOVEMBER 23, 1905.

SIR: In compliance with the Department's indorsement dated October 20, 1905, referring to the General Board for report and recommendation a letter from Senator Gallinger, chairman of the Merchant Marine Commission, to the Secretary of the Navy, in relation to the extent and character of the merchant marine that this nation should possess to supply its possible needs in time of war, as viewed from a military standpoint alone, the General Board has the honor to submit the following:

2. The need of auxiliary vessels in time of war for military service is felt both by the Army and the Navy. The need of vessels by the Army being for the transportation of men and supplies, the number needed would be altogether dependent on the location of the field of operations of the army forces. In case of operations of a large nature overseas the needs of the Army would be great, and the existence of a large fleet of American-owned merchant vessels available at once for conversion into transports or supply ships would undoubtedly be of great importance in expediting the departure of the troops and in supplying them after departure. England, at the time of the Boer war, and Japan in its recent war with Russia, undoubtedly benefited by the existence of a large merchant marine.

3. The general board does not attempt to enter into the question of the extent and character of the merchant marine desirable from an army standpoint, as it does not understand that such is the desire of the Merchant Marine Commission, as expressed by Senator Gallinger, but reserves its comments solely to the question as viewed from a naval standpoint.

4. Vessels other than the fighting fleet which would be needed by the Navy Department in time of war, and which would largely be drawn from the merchant marine, may be classed as follows: Scouts, colliers, ammunition ships, supply and refrigerating ships, distilling ships or tank steamers, hospital ships, repair and torpedo depot ships, transports, dispatch vessels, tugs.

5. The most important service which merchant vessels can perform for the Navy in time of war is as scouts. Vessels for this duty should be as fast or faster than any seagoing vessels which will be used by the enemy, and should have a large steaming radius. Size is an important factor in vessels of this type, as the scouts must be capable of keeping the sea and of making good speed in any weather, and none but large vessels fulfill these combined requirements. The general board believes that approximately one vessel of this type would be needed in time of war for each battle ship. Vessels of less than 20

knots sustained sea speed would be of little value for this service. The general board believes that the passage of a bill which would encourage the building of such vessels as fast or faster than those built in any foreign country, their services in time of war to be assured to the Government, would materially aid the national defense, inasmuch as it would assure to the Navy the services of a most important type of vessel and such as it would be impossible to obtain abroad at the outbreak of war, as all vessels of this nature built abroad are either subsidized or subventioned. A list of all vessels of this type now built, showing nationality, size, speed, etc., is inclosed herewith—Inclosure "I." Attention is invited to the fact that vessels of 23 and even 24 knots sustained sea speed are being built abroad.

6. The Navy would need a number of colliers with a cargo capacity of at least 5,000 tons each and with sufficient speed and steaming radius to enable them to accompany a squadron of battle ships. There should be five such colliers for each squadron of eight battle ships with its attendant cruisers. A number of colliers of less speed and carrying capacity would also be needed for the purpose of keeping the coal supply replenished at the various coal depots and for other purposes. The existence of a large United States merchant marine, from which the colliers could be drawn, especially the fast colliers, would be of great advantage to the Navy.

7. Ammunition ships of about 4,000 tons carrying capacity would be required for the purpose of replenishing the ammunition supply of the fleet and for accompanying the fleet with reserve ammunition in case of a contemplated action. These vessels should have sufficient speed and steaming radius to enable them to accompany a squadron of battle ships. There should be one such vessel for each squadron of eight battle ships with its attendant cruisers.

8. One of each of the following types of ships would be required for each squadron of eight battle ships with its attendant cruisers, destroyers, etc.: Supply ship with cargo capacity of from 4,000 to 5,000 tons; tank or distilling ship with capacity of 1,000,000 gallons fresh water; hospital ship; repair and torpedo depot ship.

Speed would not be an essential in these vessels, as they would not ordinarily accompany the fleet when cruising at full speed, but would habitually lie at an advanced naval base of operations convenient to the fighting fleet or cruise by themselves between ports. These vessels should, however, have a sustained sea speed of at least 12 knots. In case of a long voyage by a large fleet, such as Admiral Rojestvensky's, vessels of this type would accompany the fleet.

9. A number of transports would also be needed by the Navy Department for the transportation of a force of marines for the establishment and defense of advanced naval bases. Each transport should be capable of carrying at least one battalion of marines (about 500 men) with complete outfit of field and camp equipage and should have not less than 12 knots speed.

10. It will also probably be found necessary to procure a number of small fast vessels for duty as dispatch boats, as district scouts off the coasts of the United States, and for harbor-entrance patrol in cases where the channels are mined, etc., as well as a number of tugs and steam lighters.

11. It is of course impossible to foretell the extent of the needs of the Navy in any future war, they being dependent altogether on the

size of the United States Navy at that time and the nature of the campaign to be carried out; but summarizing the above, the number of auxiliary vessels necessary for naval purposes would be, roughly, as follows, basing the number upon a squadron of eight battle ships with attendant cruisers, torpedo-boat destroyers, etc.:

20-knot scouts, 8 for each squadron.

15-knot squadron colliers, 5 for each squadron.

Slower colliers, dependent upon circumstances, say, roughly, 5 for each squadron.

15-knot ammunition ships, 1 for each squadron.

12-knot supply and refrigerating ships, 1 for each squadron.

12-knot tank and distilling ships, 1 for each squadron.

12-knot hospital ships, 1 for each squadron.

12-knot repair and torpedo depot ships, 1 for each squadron.

18-knot dispatch boats, district scouts, etc., 2 for each squadron; 5 for each naval district (10 naval districts).

12-knot transports, 6.

Tugs and steam lighters, 2 for each squadron.

Tugs, 100 for navy-yards and naval districts.

12. If the United States should go to war when the vessels now authorized by Congress are completed, the Navy would then possess 27 battle ships in addition to cruisers, coast-defense vessels, torpedo boats, etc., and with the following auxiliaries now built or building: Three scout cruisers, 2 squadron colliers, 16 slow colliers, 3 supply ships, 1 tank ship, 2 hospital ships, 1 repair and distilling ship, 6 transports, 23 dispatch boats and yachts, and 43 tugs.

It is thus seen that the Navy Department would be compelled to secure from the merchant marine, following the proportion of auxiliaries given above, 24 scouts, 16 squadron colliers, 2 slow colliers, 5 ammunition ships, 2 supply and refrigerating ships, 4 tank and distilling ships, 2 hospital ships, 4 repair and torpedo depot ships, 34 dispatch boats, district scouts, etc., and 78 tugs.

In order to be sure that this number of vessels would be available for immediate purchase or charter by the Navy Department at the outbreak of war, the number of American-owned merchant vessels of each type should be largely in excess of the number here given, as some vessels would be abroad when needed, some under repairs, and some should be left for carrying on their regular commercial runs and as a reserve from which to draw in case of necessity.

13. The number of auxiliary vessels obtained by the Navy Department by purchase, charter, or loan at the time of the Spanish war is shown below:

| | Pur- chased. | Char- tered. | Loaned. | Total. |
|--|-----------------|-----------------|---------|--------|
| Vessels converted into auxiliary cruisers..... | 7 | 4 | | 11 |
| Colliers..... | 20 | | | 20 |
| Vessels converted into auxiliary gunboats..... | 3 | | | |
| Supply and refrigerating ships..... | 6 | | | |
| Tank or distilling ships..... | 4 | | | |
| Hospital ship..... | 1 | | | |
| Repair ship..... | 1 | | | |
| Transport..... | 1 | | | |
| Converted yachts..... | 26 | | 2 | 28 |
| Converted tugs..... | 27 | | | 27 |
| Total..... | | | | 108 |

Some of these vessels have been employed and are retained for service different from that for which they were originally acquired.

14. The following information relative to each of the above vessels is given in separate tables inclosed herewith (inclosure "2"): Name of vessel on United States Navy list, gross tonnage, speed in knots, date of purchase, purchase price, previous owners, where built, first commissioned in United States Navy, disposition at close of the war.

15. The number of auxiliary vessels which will be needed for naval purposes in any future war will undoubtedly be greater than in the Spanish war, both on account of the increased size of the Navy and the probability that a future war will be of longer duration and require more extensive improvements of the fighting fleet than did the late war.

16. Referring to Senator Gallinger's request that the general board "specifically tell of the difficulty and delay encountered in the year 1898 in the purchase of vessels from abroad," the general board regrets that details of particular difficulties such as it is assumed that the Merchant Marine Commission desires are not readily obtainable. The general history of the purchase of the vessels of the auxiliary navy was as follows:

March 9, 1898, Congress passed the emergency bill for \$50,000,000.

March 12, 1898, a board was appointed by the Secretary of the Navy and directed to communicate with the owners of vessels and obtain terms on which they were willing to sell or charter and to make thorough examination of such vessels as might be desirable for purchase as auxiliary naval vessels. This board immediately entered into communication with shipowners and obtained vessels within the times as shown below.

| | Auxiliary cruisers. | Colliers. | Auxiliary gunboats. | Supply ships. | Tank steamers. | Hospital ships. | Repair ships. | Transporta. | Yachts. | Tugs. | Total. |
|----------------------------------|---------------------|-----------|---------------------|---------------|----------------|-----------------|---------------|-------------|---------|-------|--------|
| March 12 to 31, by purchase..... | | | | | | | | | 2 | 6 | 8 |
| April 1 to 15, by purchase..... | 4 | 4 | | 1 | 1 | 1 | | | 5 | 5 | 21 |
| April 15 to 30, by purchase..... | 2 | 8 | | 1 | | | | 1 | 5 | 9 | 26 |
| April 15 to 30, by charter..... | 3 | | | | | | | | | | 3 |
| May 1 to 15, by purchase..... | | 8 | 1 | 1 | | | 1 | | 2 | 2 | 10 |
| May 1 to 15, by charter..... | 1 | | | | | | | 1 | | | 2 |
| May 15 to 31, by purchase..... | | 1 | 1 | | 1 | | | | 3 | 1 | 7 |
| June 1 to 15, by purchase..... | | 3 | 1 | 1 | | | | | 3 | 1 | 14 |
| June 1 to 15, by loan..... | | | | | | | | | 2 | | 2 |
| June 15 to 30, by purchase..... | | 1 | | | 1 | | | | 1 | 2 | 5 |
| July 1 to 31, by purchase..... | 1 | | | 1 | | | | | | 1 | 3 |
| August 12, by purchase..... | | | | | 1 | | | | | | 1 |
| December, by purchase..... | | | | 1 | | | | | | | 1 |
| Total..... | 11 | 20 | 3 | 6 | 4 | 1 | 1 | 2 | 28 | 27 | 103 |

April 20, 1898, Northern Patrol Squadron (Commodore Howell) organized, consisting of *San Francisco* and 4 converted vessels as auxiliary cruisers, *Prairie*, *Dixie*, *Yankee*, *Yosemite*.

April 21, 1898, war declared.

May 26, 1898, joint resolution of Congress approved for organization of auxiliary naval force (coast patrol). Ten yachts and 5 tugs were pur-

chased out of the appropriation of \$3,000,000 carried by the joint resolution.

17. It is seen from the above that 29 vessels were obtained for auxiliary purposes within approximately one month from the time the board was ordered. Considering the unpreparedness of the Navy Department at this time, as regards outlined plans for the procurement and fitting out of auxiliary vessels in time of war, the time within which this auxiliary fleet was obtained was highly commendable to the board charged with this duty, but the commanders in chief of the fighting fleets were embarrassed for lack of fast scouts and colliers, which embarrassment would have been still greater if the operations of war had been more unexpected than they were and against a more active enemy.

18. Summarizing, the general board considers that, from a military standpoint, a bill which would encourage the building of large, fast vessels suitable as auxiliary cruisers, scouts, and squadron colliers would be of great advantage as assuring to the Navy Department means of obtaining necessary auxiliaries in time of war important as affecting the operations of the fighting fleet. A bill in which this feature of speed is omitted is not of material advantage from a military standpoint in the opinion of the general board, as it is probable that without such a bill a sufficient number of the comparatively slow vessels could be obtained without difficulty or much delay.

19. As to the question "as to the marked increase in ocean freight rates upon the approach of war, and, therefore, the disinclination, at such times, of every foreign shipowner to dispose of any efficient vessel of considerable size, due to the fact that the earning capacity of the ship then increases in a very rapid manner," the general board is not in a position to give information. It seems highly probable, however, that such would be the case and that the prices asked by foreign shipowners for their vessels would increase at that time.

20. In the case of war against an enemy possessed of many fast auxiliary cruisers, and inclined to carry on operations of a commerce-destroying nature against American shipping, the reverse would probably be the case with American shipowners, as insurance rates would rise abnormally and the risk of loss of vessels be sufficient to cause shipowners to wish to sell or charter to the Government at a reasonable rate.

21. Another benefit which would accrue to the Navy from a large fleet of American-owned merchant vessels would lie in the large number of experienced seagoing men, engineers, and firemen accustomed to marine engines and boilers, who would form a valuable reserve from which to draw the men for manning the auxiliaries.

Very respectfully,

GEORGE DEWEY,

Admiral of the Navy, President General Board.

THE SECRETARY OF THE NAVY.

[Inclosure 1.]

List of merchant ocean screw steamships having a sustained sea speed of 20 knots and above and a gross registered tonnage of over 8,000 tons.

| Name. | Flag. | Gross tonnage. | Date of building. | Substituted. | Armament ready. | Owner. | Bunker capacity. | For— | | Remarks. |
|----------------------------|--------------------|----------------|-------------------|--------------|-----------------|-------------------------------|------------------|--------------------|----------------------|---|
| | | | | | | | | Daily consumption. | Sustained sea speed. | |
| Campania..... | British..... | 12,950 | 1893 | Yes... | Yes... | Cunard S. S. Co. ^a | Tons. 3,400 | Tons. 480 | Knots. 21 | Miles. 3,570 |
| Carmania..... | do..... | 21,150 | 1905 | Yes... | (?) | do | | | 21 | |
| Caronia..... | do..... | 21,150 | 1904 | Yes... | Yes... | do | 2,000 | 285 | 18.25 | Has averaged over 20 knots per hour. Expending 475 tons a day, has averaged 22.1 knots per hour. |
| Etruria..... | do..... | 8,120 | 1884 | Yes... | Yes... | do | 2,800 | 500 | 21 | 3,128.6 2,822.4 |
| Lucania..... | do..... | 12,952 | 1893 | Yes... | Yes... | do | | | | |
| Majestic..... | do..... | 10,147 | 1889 | Yes... | Yes... | White Star Line | 2,120 | 300 | 18.5 | 3,137.6 |
| Oceanic..... | do..... | 17,274 | 1899 | Yes... | Yes... | do | 3,600 | 480 | 19.5 | 2,788 Has averaged over 30 knots per hour. Expending 480 tons a day, has averaged 20.7 knots per hour. |
| Teutonic..... | do..... | 9,984 | 1898 | Yes... | Yes... | do | 2,168 | 300 | 18 | 3,122 |
| Umbria..... | do..... | 8,128 | 1884 | Yes... | Yes... | Cunard S. S. Co. | 2,000 | 280 | 18 | 3,088.6 |
| La Lorraine..... | France..... | 11,146 | 1900 | Yes... | Yes... | C. G. Transatlantic. | | | 21 | |
| La Savoie..... | do..... | 11,168 | 1900 | Yes... | Yes... | do | | | 21 | |
| Kaiser Wm. II..... | Germany..... | 19,980 | 1902 | Yes... | Yes... | North German Lloyd | 5,625 | 570 | 23.75 | 4,785.4 |
| Kaiser Wm. der Grosse..... | do..... | 14,349 | 1897 | Yes... | Yes... | do | 4,500 | 525 | 22.5 | 4,628.5 |
| Kronprinz Wilhelm..... | do..... | 14,908 | 1901 | Yes... | Yes... | do | 4,800 | 540 | 22.5 | 4,712.7 |
| Deutschland..... | do..... | 16,802 | 1900 | Yes... | Yes... | Hamburg-American Line | 4,730 | 574 | 23.62 | 4,651.5 |
| New York..... | United States..... | 10,798 | 1888 | Yes... | No... | Int. Mer. Marine Co. | 2,609 | 325 | 20+ | |
| Philadelphia..... | do..... | 10,786 | 1889 | Yes... | No... | do | 2,609 | 300 | 20+ | Average maintained sea speed, 20+ knots maintained in ordinary weather. |
| St. Louis..... | do..... | 11,629 | 1896 | Yes... | No... | do | 2,464 | 325 | 20+ | 3,841 |
| St. Paul..... | do..... | 11,629 | 1896 | Yes... | No... | do | 2,677 | 325 | 20+ | 4,268 |

^b Carmania has not crossed the Atlantic as yet.

^a Two new Cunarders to make 24.5 knots.

[Inclosure 2.]

Auxiliary vessels obtained by the Navy Department at the time of the Spanish war.

ATLANTIC OCEAN.

CONVERTED CRUISERS.

| Name. | Gross tonnage. | Speed, knots. | Date of purchase. | Purchase price. | Previous owners. | Where built. | First commissioned in U. S. Navy. | Disposition at close of war. |
|-----------------|----------------|---------------|-------------------|-----------------|------------------------------|--------------|-----------------------------------|--|
| Badger | 3,496 | 16 | Apr. 19, 1898 | \$367,000 | Ward Line S. S. Co. | Chester, Pa. | Apr. 21, 1898 | Retained in United States naval service. |
| Buffalo | 4,660 | 14.5 | July 11, 1898 | 575,000 | Brazilian Government | Newport News | Apr. 19, 1898 | Do. |
| Dixie | 4,665 | 16 | Apr. 15, 1898 | 575,000 | Southern Pacific Co. | do | Apr. 19, 1898 | Do. |
| Harvard | 10,669 | 21.8 | Chartered | a 2,000 | International Navigation Co. | do | Apr. 26, 1898 | Returned to owners. |
| Panther | 2,843 | 13 | Apr. 19, 1898 | 375,000 | Red D Line Steamship Co. | Philadelphia | Apr. 22, 1898 | Retained in United States naval service. |
| Prairie | 4,522 | 14.5 | Apr. 6, 1898 | 575,000 | Southern Pacific Co. | do | Apr. 14, 1898 | Do. |
| St. Louis | 11,629 | 22 | Chartered | a 2,500 | International Navigation Co. | do | Apr. 14, 1898 | Returned to owners. |
| St. Paul | 11,629 | 22 | do | a 2,500 | do | do | Apr. 20, 1898 | Do. |
| Yale | 10,669 | 21.8 | do | a 2,000 | do | Scotland | May 2, 1898 | Do. |
| Yankee | 4,659 | 14.5 | Apr. 6, 1898 | 575,000 | Southern Pacific Co. | Newport News | Apr. 14, 1898 | Retained in United States naval service. |
| Yosemite | 4,659 | 16 | do | 575,000 | do | do | Apr. 13, 1898 | Do. |

TUGS.

| Name. | Gross tonnage. | Speed, knots. | Date of purchase. | Purchase price. | Previous owners. | Where built. | First commissioned in U. S. Navy. | Disposition at close of war. |
|-----------------|----------------|---------------|-------------------|-----------------|-------------------------------|----------------------|-----------------------------------|--|
| Accomac | 130 | 10 | Mar. 26, 1898 | \$40,000 | Southern Pacific Line | Newport News | Apr. 2, 1898 | Retained in United States naval service. |
| Allice | 155 | 10 | do | 19,000 | John M. Worthington | Tompkins Cove | Apr. 6, 1898 | Do. |
| Apache | 298 | 10 | May 24, 1898 | 54,510 | Merritt & Chapman | Trenton, N. Y. | June 11, 1898 | Do. |
| Cheyenne | 145 | 11 | July 8, 1898 | 20,000 | J. J. Cummings | Charleston, S. C. | do | Do. |
| Chickasaw | 70 | 10 | June 25, 1898 | 15,000 | M. Revel | Camden | do | Do. |
| Choctaw | 152 | 10 | Apr. 19, 1898 | 82,500 | W. G. Coyle | Philadelphia | Apr. 19, 1898 | Do. |
| Hercules | 142 | 12 | Apr. 25, 1898 | 40,000 | Standard Oil Co. | Camden | do | Do. |
| Massasoit | 151 | 10 | Apr. 25, 1898 | 30,000 | Moran Towing Co. | Philadelphia | June 21, 1898 | Do. |
| Modoc | 184 | 10 | Apr. 25, 1898 | 30,000 | American Towing Co. | Camden | do | Do. |
| Mohawk | 161 | 12 | Apr. 25, 1898 | 44,000 | Moran & Co. | Newburgh, N. Y. | Apr. 23, 1898 | Do. |
| Nearctic | 118 | 10 | Mar. 25, 1898 | 30,000 | Cornell Steamboat Co. | Philadelphia | Apr. 2, 1898 | Do. |
| Oscola | 352 | 14 | Mar. 31, 1898 | 100,000 | Staples Coal Co. | do | do | Do. |
| Pawnee | 428 | 10 | May 6, 1898 | 25,000 | Clark T. Moon | Tompkins Cove | Apr. 27, 1898 | Do. |
| Pactaquia | 192 | 14 | May 11, 1898 | 130,000 | W. H. Brown | West Bay City, Mich. | June 18, 1898 | Do. |
| Pontiac | 238 | 10.5 | Apr. 23, 1898 | 30,000 | Merritt & Chapman | Albany, N. Y. | Apr. 2, 1898 | Do. |
| Pontomac | 500 | 18 | Apr. 14, 1898 | 126,300 | Ocean Towing and Wrecking Co. | West Bay City | Apr. 5, 1898 | Do. |
| Powhatan | 156 | 13 | Apr. 8, 1898 | 42,500 | Walsh & Doran | Baltimore | do | Do. |

a Per day.

Auxiliary vessels obtained by the Navy Department at the time of the Spanish war—Continued.

ATLANTIC OCEAN—Continued.

TUGS—Continued.

| Name. | Gross tonnage. | Speed, knots. | Date of purchase. | Purchase price. | Previous owners. | Where built. | First commissioned in U. S. Navy. | Disposition at close of war. |
|----------------|----------------|---------------|-------------------|-----------------|--------------------|--------------|-----------------------------------|--|
| Seminole..... | 123 | ..... | June 6, 1898 | \$25,000 | Boston Towboat Co. | Baltimore | July 28, 1898 | Retained in United States naval service. |
| Stoux..... | 111 | 10 | Mar. 26, 1898 | 25,553 | Moran & Co. | Philadelphia | Apr. 9, 1898 | Do. |
| Takoma..... | 130 | 12 | Apr. 30, 1898 | 28,000 | O'Conner & Smoot | Camden | ..... | Do. |
| Tecumseh..... | 149 | 11 | Apr. 2, 1898 | 43,000 | Luckenback & Co. | do | Apr. 6, 1898 | Do. |
| Uncas..... | 294 | 12 | do | 75,000 | do | do | do | Do. |
| Waban..... | 85 | ..... | June 25, 1898 | 20,000 | M. Revel | Philadelphia | ..... | Do. |
| Wompatuck..... | 323 | 13 | Apr. 4, 1898 | 65,000 | Standard Oil Co. | Wilmington | Apr. 6, 1898 | Do. |

COLLIERS.

| | | | | | | | | |
|----------------|-------|-------|---------------|-----------|---------------------------------------|--------------|---------------|---|
| Abarenda..... | 3,125 | 9 | May 5, 1898 | \$175,000 | J. Graham | England | May 20, 1898 | Retained in United States naval service. |
| Alexander..... | 3,250 | 8.75 | Apr. 25, 1898 | 206,826 | New Star Blue Line Steamers (London). | do | June 1, 1898 | Do. |
| Caesar..... | 2,738 | 10 | Apr. 21, 1898 | 175,194 | John Holmes & Sons | do | May 13, 1898 | Do. |
| Cassius..... | 3,458 | ..... | May 24, 1898 | 160,594 | Wm. Lamb | Germany | June 6, 1898 | Transferred to War Department at purchase price. |
| Hannibal..... | 1,785 | 9 | Apr. 16, 1898 | 147,941 | Francis Stanley Holland (London). | England | June 7, 1898 | Retained in United States naval service. |
| Hector..... | 2,792 | 10 ? | June —, 1898 | 200,000 | Price | do | June 30, 1898 | Condemned as unfit for further service. |
| Justin..... | 2,206 | 8.3 | Apr. 23, 1898 | 145,000 | Bowring & Archibald | do | Apr. 27, 1898 | Sold (\$65,160) to Metropolitan Coal Co., Boston. |
| Lebanon..... | 1,496 | 10 | Apr. 6, 1898 | 225,000 | Philadelphia and Reading R. R. | Philadelphia | Apr. 16, 1898 | Retained in United States naval service. |
| Leonidas..... | 1,802 | 8.5 | Apr. 16, 1898 | 147,941 | Francis Stanley Holland (London). | England | May 21, 1898 | Do. |
| Marcellus..... | 1,960 | 11 | June 13, 1898 | 90,000 | Wm. Lamb | do | ..... | Do. |
| Pompey..... | 1,262 | 10.5 | Apr. 19, 1898 | 111,929 | Jas. and Chas. Harrison (London). | do | May 26, 1898 | Do. |
| Saturn..... | 2,268 | 11 | Apr. 2, 1898 | 290,000 | Boston Towboat Co. | Wilmington | Apr. 11, 1898 | Do. |
| Scindia..... | 4,384 | 12 | May 12, 1898 | 267,657 | Henderson Bros | Scotland | May 21, 1898 | Do. |
| Seipio..... | 3,266 | 14.5 | May 5, 1898 | 86,769 | Geo. P. Wallford | do | ..... | Condemned as unfit for further service. |

Sold (\$80,125) to Mr. L. Luckenbach, but on account of not being allowed on American register requested return of money, which was done. Sold Dec. 30, 1899 to Ludwig Redell, (\$41,560).

| | | | | | | | | |
|----------|-------|----|---------------|---------|----------------------------------|----------|---------------|--|
| Southern | 2,068 | 9 | Apr. 16, 1898 | 100,000 | Edward Luckenbach | England | Apr. 30, 1898 | Retained in United States naval service. |
| Sterling | 2,016 | 11 | do | 190,000 | Black Diamond Transportation Co. | Scotland | Apr. 16, 1898 | Do. |
| Merrimac | | | Apr. 12, 1898 | 342,000 | Hogan Line | | | Sunk at Santiago. |

YACHTS.

| | | | | | | | | |
|------------|-------|------|---------------|----------|----------------------|----------------|---------------|--|
| Alleen | 151 | 14 | May 2, 1898 | \$55,000 | Richard Stevens | Chester | May 14, 1898 | Loaned to naval militia of New York. |
| Buccaneer | 160 | | Loaned | Loan | Wm. R. Hearst | Boston | June 13, 1898 | Returned to owner. |
| Dorothea | 363 | 15 | May 21, 1898 | 187,500 | Thos. McKean estate | Philadelphia | June 1, 1898 | Retained in United States naval service. |
| Eagle | 435 | 15.5 | Apr. 2, 1898 | 110,000 | Frederick Gallatin | Wilmington | Mar. 26, 1898 | Do. |
| Elfrida | 123 | 10.5 | June 15, 1898 | 50,000 | Dr. Seward Webb | do | June 30, 1898 | Loaned to naval militia of Connecticut. |
| Enquirer | 144 | 20 | June 29, 1898 | 80,000 | W. J. Connors | Buffalo | June 22, 1898 | Transferred to War Department at \$20,000. |
| Free Lance | 132 | 16.5 | Loaned | Loan | F. A. Schermerhorn | Elizabethport | May 11, 1898 | Returned to owner. |
| Frolic | 357 | 11 | May 28, 1898 | 115,000 | H. M. Hanna | Cleveland | July 6, 1898 | Retained in United States naval service. |
| Gloucester | 561 | 17 | Apr. 23, 1898 | 225,000 | Pierpont Morgan | Philadelphia | May 20, 1898 | Do. |
| Hawk | 270 | 14.5 | Apr. 2, 1898 | 50,000 | Henry L. Piercestate | Scotland | Apr. 5, 1898 | Do. |
| Hist | 312 | 14.5 | Apr. 27, 1898 | 65,000 | David Dows Jr. | Philadelphia | May 13, 1898 | Do. |
| Hornet | 302 | 15 | Apr. 6, 1898 | 117,500 | Henry M. Flagler | Wilmington | Apr. 12, 1898 | Loaned to naval militia of North Carolina. |
| Huntress | 85 | 14 | June 7, 1898 | 27,500 | F. C. Fowler | Nyack | July 1, 1898 | Loaned to naval militia of New Jersey. |
| Kanawha | 127 | 14 | do | 50,000 | John P. Duncan | do | July 26, 1898 | Loaned to naval militia of Rhode Island. |
| Inca | 94 | 14 | June 13, 1898 | 85,000 | F. B. McQuesten | South Boston | Aug. 1, 1898 | Loaned to naval militia of Massachusetts. |
| Mayflower | 1,900 | | | | Ogden Guellet estate | Scotland | | Retained in United States naval service. |
| Onelda | 119 | 16.8 | Mar. 19, 1898 | 430,000 | Eugene Tompkins | Bath | Apr. 30, 1898 | Do. |
| Restless | 105 | 12 | May 31, 1898 | 60,000 | Bliss W. Stolley | Chester | May 14, 1898 | Do. |
| Scorpion | 628 | 17.8 | Apr. 7, 1898 | 290,000 | M. C. D. Borden | South Brooklyn | Apr. 11, 1898 | Do. |
| Shearwater | 109 | | May 9, 1898 | 26,000 | Henry R. Wolcott | East Boston | | Loaned to naval militia of Pennsylvania. |
| Siren | 102 | 13 | June 9, 1898 | 40,000 | J. G. Cassett | Scotland | June 24, 1898 | Loaned to naval militia of Virginia. |
| Stranger | 247 | 14 | do | 75,000 | Mrs. Mary Lewis | Philadelphia | June 30, 1898 | Loaned to naval militia of Louisiana. |
| Sylph | 172 | 15 | June 1, 1898 | 50,000 | John Roach & Co. | Chester | | Retained in United States naval service. |
| Sylvia | 136 | 9 | June 13, 1898 | 25,000 | Edward M. Brown | Scotland | June 23, 1898 | Loaned to naval militia of Maryland. |
| Viking | 141 | 11.7 | Apr. 27, 1898 | 30,000 | Horace A. Hutchins | Chester | May 11, 1898 | Retained in United States naval service. |
| Vixen | 546 | 16 | Apr. 9, 1898 | 150,000 | T. A. B. Wildener | Elizabethport | Apr. 11, 1898 | Do. |
| Wasp | 380 | 16.5 | Apr. 26, 1898 | 98,000 | J. H. Ladew | Philadelphia | do | Do. |
| Yankton | 541 | 14 | May 20, 1898 | 126,000 | H. E. Converse | Scotland | May 16, 1898 | Do. |

Auxiliary vessels obtained by the Navy Department at the time of the Spanish war—Continued.

ATLANTIC OCEAN—Continued.

SPECIAL CLASS.

| Name. | Service. | Gross tonnage. | Speed, knots. | Date of purchase. | Purchase price. | Previous owners. | Where built. | First commissioned in U. S. Navy. | Disposition at close of war. |
|--------------|---|----------------|---------------|-------------------|-----------------|---------------------------------|-------------------|-----------------------------------|--|
| Arctic | Ice boat | 987 | ..... | ..... | ..... | City of Philadelphia. | Philadelphia. | July 9, 1898 | Returned to owners. |
| Arethusa | Tank steamer | 3,319 | ..... | Aug. 12, 1898 | 218,992 | Thos. S. Hopkins. | Stockton | ..... | Retained in United States naval service. |
| Celtic | Supply ship | 3,738 | 10 | May 14, 1898 | 340,900 | Federal Line (London). | Ireland | May 27, 1898 | Do. |
| Culgoa | do. | 3,325 | ..... | ..... | ..... | Federal Line | England | Dec. 3, 1898 | Do. |
| Glacier | Refrigerating ship | 4,154 | 12.5 | July 1, 1898 | 340,550 | Federal Line | do | July 5, 1898 | Do. |
| Iris | Dist. ship. | 2,716 | 10.5 | May 25, 1898 | 145,000 | Miami S. S. Co. | do | Aug. 1, 1898 | Do. |
| Niagara | do. | 2,265 | 12 | Apr. 11, 1898 | 200,000 | Ward Line S. S. Co. | Chester | Apr. 16, 1898 | Sold for \$75,068. |
| Rainbow | do. | 2,985 | 12 | June 25, 1898 | 176,576 | Thos. Ronaldson | England | July 15, 1898 | Retained in United States naval service. |
| Resolute | Transport | 2,898 | 16 | Apr. 21, 1898 | 475,000 | Old Dominion S. S. Co. | Chester | May 11, 1898 | Do. |
| Solace | Hospital ship | 3,801 | 15 | Apr. 7, 1898 | 600,000 | Cromwell S. S. Line. | Newport News, Va. | Apr. 14, 1898 | Do. |
| Supply | Supply ship | 3,341 | 9.7 | Apr. 30, 1898 | 325,000 | International Navigation Co. | Philadelphia | ..... | Do. |
| Vulcan | Repair ship | 2,729 | ..... | May 2, 1898 | 350,000 | Merchants and Miners Line. | do | May 22, 1898 | Sold for \$175,750. |
| Gov. Russell | Ferryboat, converted into auxiliary gunboat. | 713 | 9 | May 11, 1898 | 71,000 | City of Boston | East Boston | June 24, 1898 | Sold to city of Boston, \$25,000. |
| East Boston | do. | 732 | 9.5 | June 2, 1898 | 57,500 | do | do | July 5, 1898 | Sold for \$38,091. |
| Peoria | Pilot boat, converted into auxiliary gunboat. | 335 | ..... | May 23, 1898 | 100,000 | Philadelphia Pilot Association. | Philadelphia | May 15, 1898 | Retained in United States naval service. |

PACIFIC OCEAN.

| Name. | Gross tonnage. | Speed knots loaded. | Date purchased. | Purchase price. | Previous owners. | Where built. | First commissioned U. S. Navy. | Disposition at close of war. |
|-----------------------|----------------|---------------------|-----------------|-----------------|-------------------------------|--------------------|--------------------------------|--|
| Colliers: | | | | | | | | |
| Brutus..... | 3,077 | 9 | June 3, 1898 | \$215,000 | L. F. Chapman & Co..... | England..... | May 27, 1898 | Retained in United States naval service. |
| Nanshan..... | 2,200 | 10 | Apr. 6, 1898 | 156,728 | Frank Smythe..... | Scotland..... | ..... | Do. |
| Nero..... | 2,965 | 9 | June 30, 1898 | 216,000 | McCondray & Co..... | England..... | June 8, 1898 | Do. |
| Special class: | | | | | | | | |
| Zafior (supply ship). | 1,062 | ..... | Apr. 9, 1898 | 87,597 | China and Manila S. S. Co.. | Scotland..... | ..... | Do. |
| City of Pekin.. | 5,080 | 14 | Chartered.... | \$1,000 | Pacific Mail S. S. Co..... | Chester..... | ..... | Returned to owners. |
| Tugs: | | | | | | | | |
| Active..... | 174 | 12 | Apr. 18, 1898 | 75,000 | J. D. Spreckles Bros. Co..... | San Francisco..... | July 6, 1898 | Retained in United States naval service. |
| Iroquois..... | 400 | 13.2 |do..... | 150,000 |do..... |do..... |do..... | Do. |
| Vigilant..... | 177 | 12 | Apr. 19, 1898 | 60,000 |do..... | Philadelphia..... | Apr. 6, 1898 | Do. |

a Per day.

Solace required three weeks work to put in readiness, cost \$51,000.

Vulcan required six weeks work to put in readiness, cost \$28,000.

Iris required ten weeks work to put in readiness, cost \$60,000.

THE ARMY'S NEED OF MERCHANT STEAMSHIPS AS TRANSPORTS IN WAR.

WAR DEPARTMENT,
Washington, January 8, 1906.

MY DEAR SENATOR: In compliance with the request contained in your letter of October 17 last, that the General Staff of the Army give immediate and careful consideration to the question as to the extent and character of tonnage of merchant ships that would be required by the Army of the United States for the protection of insular possessions against an attack by a strong maritime nation, I have the honor to transmit herewith copy of a report made by a special committee of the Third Division, General Staff, on the subject of the merchant marine, which has been adopted by the Army War College and approved by Lieut. Gen. Adna R. Chaffee, Chief of Staff.

Your letter, together with copy of the report above referred to, has been transmitted to the joint army and navy board, of which the Admiral of the Navy is senior member, inviting attention to your request made in the last paragraph therein.

Very respectfully,

WM. H. TAFT, *Secretary of War.*

Hon. J. H. GALLINGER,

*Chairman, Merchant Marine Commission,
Washington, D. C.*

[Memorandum for the Secretary of War.]

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF STAFF,
Washington, January 2, 1906.

On October 17, 1905, the chairman of the Merchant Marine Commission of Congress, Senator J. H. Gallinger, addressed to you a communication in which he requested "that the General Staff of the Army give immediate and careful consideration to the question as to the extent and character of tonnage of merchant ships that would be required by the Army of the United States for the protection of its insular possessions against an attack by a strong maritime nation." (See letter of Senator Gallinger herewith.)

This letter was referred to the Third Division, General Staff (Army War College), and I have the honor to hand you herewith its report upon the subject.

Respectfully,

CHAFFEE,
Lieutenant-General, Chief of Staff.

ARMY WAR COLLEGE,
Washington, January 2, 1906.

SIR: I have the honor to inclose herewith letter of the Hon. Jacob H. Gallinger, chairman Merchant Marine Commission, of the Senate, addressed to the Secretary of War and referred to the Third Division, General Staff, by your memorandum dated October 23, 1905, for careful study and report by the Army War College. Also report of a special committee of the Third Division, General Staff, on the subject of the merchant marine which has been adopted by the Army War College.

Very respectfully,

THOMAS H. BARRY,
Brigadier-General, U. S. Army,
President Army War College.

The SECRETARY, GENERAL STAFF.

ARMY WAR COLLEGE,
Washington, December 22, 1905.

SIR: 1. The special committee appointed to prepare a report on the letter of Senator Gallinger to the Secretary of War, on the subject of the merchant marine in its relation to military transport, has the honor to submit the following report:

2. In any military enterprise involving the movement of troops oversea, the matter of first and paramount importance is the transport. The primary requisites of sea transport are sufficiency, suitability, and readiness. The secondary consideration is cost—secondary not alone because war is ill adapted to economical prosecution, but also because in preparing for war it is generally true that the worst way is the dearest and the best is the cheapest; the worst being a procrastinating, unready policy of penury during peace and prodigality during impending or actual hostilities, the net result of which is equal or greater ultimate expenditure and much less value received.

3. The amount of sea transport which will be actually used in any case will depend upon the size, character, and destination of the expedition and can not be foreseen.

The quantity which should be available or procurable in the general sense of this discussion is that which will permit the United States to put forth its entire military strength at any distance and in any direction that circumstances may require. To meet this condition there should be available, by the time a force can be mobilized from the regular establishment and the organized militia, a fleet sufficient to take that force, and thereafter, either by return of vessels of the first fleet or by the procurement of additional ones, there should be ships in readiness to take troops as fast as they can be raised, equipped, and made ready for service. No force which is organized and ready to sail should ever be required to wait for ships in which to sail.

The quantity of transport is a function of number and size of ships, and consideration of the number will be postponed until the size has been discussed.

4. The suitability of ships for military transports relates to their size, arrangement, and fittings.

The most important principle affecting size is that of unit loading. It is conceded to be indispensable to the best results that each ship

shall carry a tactical unit of troops with its complete equipment and supply. This arrangement makes the entire transport fleet perfectly elastic and adaptable. If circumstances determine a division of force it is only necessary to select the ships carrying the desired troops and all questions of equipment and supply of those troops are settled automatically and without delay. This arrangement also increases the esprit and morale of the troops. The different organizations are inspired by a generous rivalry and the men acquire a personal and proprietary interest in the public property in their charge and to which their care and labor must be given, which augments their zeal and efficiency and puts them at their very best. This is particularly the case as to animals, which will be much better cared for and will arrive in distinctly better condition if they make the voyage in the same ships with the men who are to profit by their use on arrival.

5. The infantry regiment, comprising 50 officers and 1,592 men, with 54 horses, 140 mules, and 400 tons of freight, made up of ammunition, camp equipment, transportation, and subsistence and forage for sixty days is the dominating unit and its requirements determine the leading type of ship.

A large part of the space in a troop ship is occupied by men and animals, and these must be carried above the water line. For a ship of given length and tonnage breadth of beam increases and depth decreases the transport capacity. Hence, a transport should be as beamy as considerations of marine architecture will permit. There are very good examples afloat of a beam one-eighth or more of the length, and that ratio may properly be adopted as a minimum of beam. This requirement will have the effect of reducing the draft, which is advantageous in several ways. It enables the ship to enter more harbors or approach the shore at more places, and this affords a wider range of choice of landing places, which is of great importance in a military sense. A beamy ship has more stability when not loaded and also under a high and shifting load, conditions of sailing which must be anticipated in transports. Finally, a beamy transport will cause less seasickness, and, as some hard fighting is to be expected at the first moment of landing and a sharp pursuit if a lodgment is effected, it may be assumed that more may be expected of men and animals after a comfortable voyage than after one in a narrow, rolling ship.

For a ship of the general proportions indicated above, experience shows that an allowance of three gross tons per man and nine gross tons per animal will be ample, and will include all the stores which need be carried and also enough coal carried as cargo to give the ship the very large steaming radius which transport service in war will certainly require.

These ratios give for an infantry regiment a ship of about 6,500 tons gross.

The other units to be considered are the—

Squadron of cavalry: Sixteen officers, 401 enlisted men, 9 civilians, 500 animals.

Battalion of field artillery: Eighteen officers, 480 men, 450 animals.

Battalion of engineers: Sixteen officers, 658 men, 500 animals.

Company of the Signal Corps: Four officers, 150 men, 60 animals.

Field hospital pertaining to a division: Twenty-eight officers, 472 enlisted men, 50 civilians, 478 animals.

The tonnage for those units, using the ratios already adopted, is—

| | |
|------------------------------|--------|
| Battalion of engineers | 6, 174 |
| Squadron of cavalry | 5, 260 |
| Battalion of artillery | 5, 100 |
| Divisional hospital | 5, 480 |
| Signal company | 1, 000 |

A second-size transport of 5,500 tons gross would take the cavalry, artillery, and medical department interchangeably, and a ship of the same size would carry the signal company and give ample room for division and brigade headquarters.

6. The number of ships required may now be estimated.

The unit of organization of mixed troops is the division, consisting of 9 infantry regiments, 1 cavalry regiment (3 squadrons), 3 artillery battalions, 1 engineer battalion, 1 company Signal Corps, 4 field hospitals, and an ammunition and supply column of 186 wagons, aggregate.

To embark this force as contemplated in the foregoing paragraphs would require ten 6,500-ton ships and nine 5,500-ton ships, allowing one of the latter for the ammunition and supply columns and extra stores.

7. With the Regular Army at its present authorized strength, it is an outside assumption that two such divisions could be made ready to embark in fifteen days. Hence, 20 of the larger and 18 of the smaller ships available in fifteen days would meet the probable needs under this category.

8. As an expedition may be necessary from either the Atlantic or Pacific coast, and as ships in either ocean can not possibly be made available in fifteen days for an expedition from the other coast, there should be on each side a number of suitable ships afloat, such that the numbers specified above can be obtained within the time stated.

Supposing these ships to be engaged in foreign trade, it is not probable that more than one-third of those in either ocean could be obtained and made ready in fifteen days. Assuming this ratio, it follows that to provide suitable ships for a rapid movement of two divisions from either coast, there should be not less than 60 of the larger and 54 of the smaller size afloat in Atlantic and the same in Pacific waters, or 120 of the larger and 108 of the smaller size in all, an aggregate of 228 vessels.

9. Larger expeditions will require a longer time to prepare and will give a longer time to collect ships, causing a larger proportion of those afloat to be available. The total capacity of 228 ships would be about 225,000 men of all arms, completely equipped. The number of ships above indicated and of the kind described will permit an expedition of 225,000 men, or any less number, to sail as soon as it can be made ready to embark, without delay on account of sea transport.

10. The requirement of readiness as to transport service relates to the time in which ships can be made ready in case of a sudden unexpected demand. The most complete readiness would probably be in the case of ships owned by the United States and in use on a peace basis, or laid up in ordinary. For merchant ships to be converted into transports the time is required in getting possession of the vessels and in making the changes from merchant to transport conditions and arrangements, and everything possible should be done to make this time a minimum.

The changes are mainly involved in the fitting of berths for men and stalls for animals, and in lighting and ventilation, extra water supply and provision storage, additional messing and sanitary arrangements, and the extra life-saving appliances which are required by the substitution of men and animals in large measure for freight.

So far as can be done without seriously trenching on cargo space, all such arrangements should be incorporated in the design of the ship as a part of the structural details. Especially, should all wiring for light and power, all main ventilating ducts and openings for fans, all piping for galleys, sinks, and baths, and foundations for extra refrigerating and distilling apparatus and other machinery, and attachments for bunk and stall fittings, be provided for in the construction of the ship, so that there will be required only the putting of the extra parts on board, setting them in place, and making simple connections.

11. To determine definitely the scope of the necessary changes and additions would be tantamount to the complete designing of such a ship, which is beyond the purview of the present report. As an approximate guide from which a rough estimate of the excess cost may be made, the particulars in the following table are shown, it being understood that they represent estimates only and not final determinations:

| Purpose. | Designation. | Required for ships of— | |
|---|--------------------------|------------------------|-------------|
| | | 6,500 tons. | 5,500 tons. |
| Stanchion attachments for deck and ceiling..... | Number..... | 2,000 | 1,500 |
| Lights..... | Kilowatts..... | 30 | 25 |
| Ventilation..... | Cubic feet per hour..... | 2,000,000 | 1,500,000 |
| Refrigeration: | | | |
| Manufacture of ice..... | Pounds per day..... | 3,000 | 1,000 |
| Cold storage..... | Cubic feet..... | 2,400 | 1,200 |
| Daily capacity..... | Gallons..... | 5,500 | 5,500 |
| Distillation: | | | |
| Storage capacity..... | do..... | 20,000 | 20,000 |
| Cooking, steam tables..... | Square feet..... | 250 | 150 |
| Water-closets: | | | |
| Seats..... | Number..... | 64 | 24 |
| Urinals..... | do..... | 48 | 18 |
| Shower baths..... | do..... | 32 | 10 |
| Wash basins..... | do..... | 128 | 40 |
| Laundry tubs and scrubbing tables..... | do..... | 24 | 10 |

12. The proper speed for transports is that which they should make under convoy and is largely a naval question. The navy authorities have determined upon 12 knots sustained sea speed as the proper one for troop transports. To make this speed with certainty and with economical coal consumption the ships should be designed for a trial speed slightly in excess of 12 knots.

13. The aggregate gross measurement of 228 ships of the size indicated above is 1,368,000 gross tons. The official list of merchant steam vessels for 1904 shows 57 seagoing ships of 4,000 gross tons and upward, with an aggregate tonnage of 400,000. This includes the very fast Atlantic liners, which would doubtless be required by the Navy for scouts, and also some very large ships which would not be generally serviceable. Of these ships 8 are substantially of the smaller and 9 of the larger sizes described. The others vary in size and proportions to such an extent as to make it unsafe to adopt factors smaller than 4 gross tons per man and 10 per animal in gauging their capacity. With these factors a division would require 116,000 gross tons of

transport, and two divisions—the force previously discussed as a first expedition to be dispatched at once—will require 232,000 gross tons, selected from this list of ships.

In short, to strike the quick blow of a force corresponding to our permanent military establishment would require practically all the American shipping of suitable character in Atlantic waters and more than the entire tonnage in Pacific waters.

14. There needs no argument to show that this transport tonnage could not be procured in fifteen days. It is doubtful whether it can be procured at all, except by impressment and in a period of six months or more.

For the transportation of the Santiago expedition in 1898 the Quartermaster's Department chartered every American vessel that could be obtained in the Atlantic ports during the twenty days following the declaration of war and succeeded in obtaining a fleet of 36 vessels, averaging 2,500 gross tons. But two of these were over 4,000 tons. The ships had an aggregate capacity of 90,000 gross tons, or less than one-half the quantity required to embark a force of two divisions. The expedition was fitted out for a definite voyage of thirty hours from Tampa to Habana. Circumstances finally determined that the voyage should be one of eight days to Santiago. The official records afford ample evidence that the safe arrival was due to the good fortune of continued fine weather. A severe storm encountered would have scattered the fleet, probably with great loss of life, and would have defeated the object of the expedition. There is nothing except its successful arrival to justify its departure.

The fitting up of these ships was little more than nominal and had in view the short voyage in contemplation. The work occupied three to ten days, and the transports could not be assembled at the point of embarkation until more than thirty days after the declaration of war. Very little land transportation was taken, and but few mounts. No cooking could be done on board ship except to make coffee. Sanitary arrangements were crude and insufficient. Of ventilation there was practically none. These statements apply in full force only to the ships fitted out for the Cuban expedition.

This fleet of ships could not have embarked, under reasonable over-sea transport conditions, a force of more than 8,000 or 10,000 men, and when so embarked the expedition could have been despatched on a long voyage only at great jeopardy of the welfare of the men and of the success of the enterprise. It has already been shown that this fleet was practically all that could be secured in Atlantic waters, except by impressment of American or purchase of foreign ships. Conscription of property as a feature of military policy is only less obnoxious than conscription of men.

15. It appears that now, and for the immediate future, the force for which our military establishment is maintained can not be exerted over sea. The quick first blow, so very and increasingly important, can not be struck at all, nor can an expedition of any greater size be embarked without delay, except by the use of foreign vessels.

This condition can not improve until the American steam seagoing merchant marine has increased in tonnage to approximately two and one-half times its present volume by the addition of ships adapted in size and design to quick conversion into suitable transports and built

under conditions which make their voluntary surrender to the United States on demand a foregone conclusion.

16. So far as concerns the interests of military transports, any subvention, subsidy, or other assistance rendered by the United States to the American merchant marine will produce the greatest return for the money expended if the legislation is so framed as to require or strongly encourage the construction of ships of the two sizes and with the proportions and arrangements described in this report.

In so far as it may be found impracticable to procure ships of the sizes stated, preference should be given to multiples of those sizes.

Respectfully submitted.

SMITH S. LEACH,

Lieutenant-Colonel, General Staff, Special Committee.

THE CHIEF OF THE THIRD DIVISION, GENERAL STAFF.

THE WEST AND THE MERCHANT MARINE.

One frequent argument, advanced especially by foreign steamship managers, against national aid to the American merchant marine is that, after all, the decline of this industry injures only the coast States which build and own and sail ships, and does not affect in any way the agricultural States of the interior.

This is not the view, however, of the President of the United States. As President Roosevelt has said in a recent message to Congress:

The condition of the American merchant marine is such as to call for immediate remedial action by the Congress. It is discreditable to us as a nation that our merchant marine should be utterly insignificant in comparison to that of other nations which we overtop in other forms of business. We should not longer submit to conditions under which only a trifling portion of our commerce is carried in our own ships. To remedy this state of things would not merely serve to build up our shipping interests, but it would also result in benefit to all who are interested in the permanent establishment of a wider market for American products, and would provide an auxiliary force for our Navy. Ships work for their own countries just as railroads work for their terminal points. Shipping lines, if established to the principal countries with which we have dealings, would be of political as well as commercial benefit. From every standpoint it is unwise for the United States to continue to rely upon the ships of competing nations for the distribution of our goods. It should be made advantageous to carry American goods in American-built ships.

How great is the injury of our lack of ships, not to the coast States but to all States and especially to these western commonwealths whence comes the bulk of our exports, was demonstrated a few years ago in a way which ought not to be forgotten. There are now only 10 American steamships of, all told, 100,000 tons engaged in our trans-Atlantic carrying. Ninety-five per cent or more of our imports from and exports to Europe are conveyed by foreign ships—British, French, German, Italian. British vessels, of course, possess the lion's share of this great carrying traffic, or about 60 per cent.

CRIPPLING OUR TRADE.

Great Britain a few years ago passed through a war, a little war, with a puny State which controlled not one privateer or cruiser. But the South African contest caused Britain to withdraw 250 steamships, of an aggregate of 1,000,000 tons, from peaceful commerce for transport and supply service. As it happened, this struck the United States hardest. A London journal, the London Financial Times, remarked:

The war in South Africa has had a more serious effect upon the trans-Atlantic than upon any other class of ocean tonnage for the simple reason that the majority of the vessels employed for the purpose of transport have been taken from this route, the North Atlantic steamers, as a rule, being large, powerful and reasonably swift craft, admirably adapted for this species of Government service.

Auxiliary vessels obtained by the Navy Department at the time of the Spanish war—Continued.

ATLANTIC OCEAN—Continued.

TUGS—Continued.

| Name. | Gross tonnage. | Speed, knots. | Date of purchase. | Purchase price. | Previous owners. | Where built. | First commissioned in U. S. Navy. | Disposition at close of war. |
|----------------|----------------|---------------|-------------------|-----------------|--------------------|--------------|-----------------------------------|--|
| Seminole..... | 123 | ..... | June 6, 1898 | \$25,000 | Boston Towboat Co. | Baltimore | July 23, 1898 | Retained in United States naval service. |
| Sioux..... | 111 | 10 | Mar. 26, 1898 | 25,553 | Moran & Co. | Philadelphia | Apr. 9, 1898 | Do. |
| Takoma..... | 130 | 12 | Apr. 30, 1898 | 28,000 | O'Connor & Smoot. | Camden | ..... | Do. |
| Tecumseh..... | 149 | 11 | Apr. 2, 1898 | 45,000 | Luckenbach & Co. | do | Apr. 6, 1898 | Do. |
| Uncas..... | 284 | 12 | do | 75,000 | do. | do | do | Do. |
| Waban..... | 85 | ..... | June 25, 1898 | 20,000 | M. Revel | Philadelphia | ..... | Do. |
| Wompatuck..... | 323 | 13 | Apr. 4, 1898 | 65,000 | Standard Oil Co. | Wilmington | Apr. 6, 1898 | Do. |

COLLIERS.

| | | | | | | | | |
|----------------|-------|-------|---------------|-----------|---------------------------------------|--------------|---------------|--|
| Abrenda..... | 3,125 | 9 | May 5, 1898 | \$175,000 | J. Graham. | England | May 20, 1898 | Retained in United States naval service. |
| Alexander..... | 3,250 | 8.75 | Apr. 25, 1898 | 206,826 | New Star Blue Line Steamers (London). | do | June 1, 1898 | Do. |
| Caesar..... | 2,738 | 10 | Apr. 21, 1898 | 175,194 | John Holmes & Sons. | do | May 13, 1898 | Do. |
| Cassius..... | 3,453 | ..... | May 24, 1898 | 160,594 | Wm. Lamb. | Germany | June 6, 1898 | Transferred to War Department at purchase price. |
| Hannibal..... | 1,785 | 9 | Apr. 16, 1898 | 147,941 | Francis Stanley Holland (London). | England | June 7, 1898 | Retained in United States naval service. |
| Hector..... | 2,792 | 10 ? | June —, 1898 | 200,000 | Prize | do | June 30, 1898 | Condemned as unfit for further service. |
| Justin..... | 2,206 | 8.3 | Apr. 23, 1898 | 145,000 | Bowring & Archibald | do | Apr. 27, 1898 | Sold (\$65,150) to Metropolitan Coal Co., Boston. |
| Lebanon..... | 1,486 | 10 | Apr. 6, 1898 | 225,000 | Philadelphia and Reading R. R. | Philadelphia | Apr. 16, 1898 | Retained in United States naval service. |
| Leonidas..... | 1,802 | 8.5 | Apr. 16, 1898 | 147,941 | Francis Stanley Holland (London). | England | May 21, 1898 | Do. |
| Marcellus..... | 1,960 | 11 | June 13, 1898 | 90,000 | Wm. Lamb. | do | Do. | Do. |
| Pompey..... | 1,282 | 10.5 | Apr. 19, 1898 | 111,929 | Jas. and Chas. Harrison (London). | do | May 28, 1898 | Do. |
| Saturn..... | 2,268 | 11 | Apr. 2, 1898 | 290,000 | Boston Towboat Co. | Wilmington | Apr. 11, 1898 | Do. |
| Scinda..... | 4,834 | 12 | May 12, 1898 | 267,657 | Henderson Bros. | Scotland | May 21, 1898 | Do. |
| Scipio..... | 3,256 | 14.5 | May 5, 1898 | 86,769 | Geo. P. Walford. | do | ..... | Condemned as unfit for further service. Sold (\$50,125) to Mr. L. Luckenbach, but on account of not being allowed on American register requested return of money which was done. Sold Dec. 30, 1899 to Ludwig Redelli, (\$41,500). |

| | | | | | | | | |
|-------------------|-------|----|---------------|---------|----------------------------------|----------|---------------|--|
| Southern Sterling | 2,068 | 9 | Apr. 16, 1898 | 100,000 | Edward Luckenbach | England | Apr. 30, 1898 | Retained in United States naval service. |
| | 2,016 | 11 | do | 190,000 | Black Diamond Transportation Co. | Scotland | Apr. 16, 1898 | Do. |
| Merrimac | | | Apr. 12, 1898 | 342,000 | Hogan Line | | | Sunk at Santiago. |

YACHTS.

| | | | | | | | | |
|------------|-------|------|---------------|----------|------------------------|----------------|---------------|--|
| Alleen | 151 | 14 | May 2, 1898 | \$55,000 | Richard Stevens | Chester | May 14, 1898 | Loaned to naval militia of New York. |
| Buccaneer | 160 | | Loaned | Loan. | Wm. E. Hearst | Boston | June 13, 1898 | Returned to owner. |
| Dorothea | 433 | 15 | May 21, 1898 | 187,500 | Thos. McKean estate | Philadelphia | June 1, 1898 | Retained in United States naval service. |
| Eagle | 365 | 15.5 | Apr. 2, 1898 | 110,000 | Frederick Gallatin | Wilmington | Mar. 26, 1898 | Do. |
| Elfrida | 123 | 10.5 | June 15, 1898 | 50,000 | Dr. Seward Webb | do | June 30, 1898 | Loaned to naval militia of Connecticut. |
| Enquirer | 144 | 20 | June 29, 1898 | 80,000 | W. J. Connors | Buffalo | June 22, 1898 | Transferred to War Department at \$30,000. |
| Free Lance | 132 | 16.5 | Loaned | Loan. | F. A. Schermerhorn | Elizabethport | May 11, 1898 | Returned to owner. |
| Frolic | 357 | 11 | May 28, 1898 | 115,000 | H. M. Hanna | Cleveland | July 6, 1898 | Retained in United States naval service. |
| Gloucester | 561 | 17 | Apr. 23, 1898 | 225,000 | Pierpont Morgan | Philadelphia | May 20, 1898 | Do. |
| Hawk | 270 | 14.5 | Apr. 2, 1898 | 50,000 | Henry L. Pierce estate | Scotland | Apr. 5, 1898 | Do. |
| Hart | 812 | 14.5 | Apr. 22, 1898 | 68,000 | David Dowd, Jr. | Philadelphia | May 13, 1898 | Do. |
| Hornet | 302 | 15 | Apr. 6, 1898 | 117,500 | Henry M. Flagler | Wilmington | Apr. 12, 1898 | Loaned to naval militia of North Carolina. |
| Huntress | 85 | 14 | June 7, 1898 | 27,500 | F. C. Fowler | Nyack | July 1, 1898 | Loaned to naval militia of New Jersey. |
| Kanawha | 127 | 14 | do | 50,000 | John P. Duncan | do | July 26, 1898 | Loaned to naval militia of Rhode Island. |
| Inca | 94 | 14 | June 13, 1898 | 35,000 | F. B. McQuesten | South Boston | Aug. 1, 1898 | Loaned to naval militia of Massachusetts. |
| Mayflower | 1,800 | | | | Oakden Goellet estate | Scotland | | Retained in United States naval service. |
| Oneida | 119 | 16.8 | Mar. 19, 1898 | 430,000 | Eugene Tompkins | Bath | Apr. 30, 1898 | Do. |
| Restless | 105 | 12 | May 31, 1898 | 60,000 | Hiram W. Stidley | Chester | May 14, 1898 | Do. |
| Scorpion | 628 | 17.8 | Apr. 7, 1898 | 300,000 | M. C. D. Borden | South Brooklyn | Apr. 11, 1898 | Do. |
| Shearwater | 109 | | May 9, 1898 | 26,000 | Henry R. Wolcott | East Boston | | Loaned to naval militia of Pennsylvania. |
| Siren | 102 | 13 | June 9, 1898 | 40,000 | J. G. Cassett | Scotland | June 24, 1898 | Loaned to naval militia of Virginia. |
| Stranger | 247 | 14 | do | 75,000 | Mrs. Mary Lewis | Philadelphia | June 30, 1898 | Loaned to naval militia of Louisiana. |
| Sylph | 172 | 15 | June 1, 1898 | 50,000 | John Rauch & Co. | Chester | June 29, 1898 | Retained in United States naval service. |
| Sylvia | 136 | | June 13, 1898 | 25,000 | Edward M. Brown | Scotland | May 11, 1898 | Loaned to naval militia of Maryland. |
| Viking | 141 | 11.7 | Apr. 22, 1898 | 30,000 | Horace A. Hutchins | Chester | Apr. 11, 1898 | Do. |
| Vixen | 546 | 16 | Apr. 9, 1898 | 130,000 | T. A. B. Widener | Elizabethport | do | Do. |
| Wasp | 390 | 16.5 | Apr. 26, 1898 | 95,000 | J. H. Ladew | Philadelphia | May 16, 1898 | Do. |
| Yankton | 541 | 14 | May 20, 1898 | 125,000 | H. E. Converse | Scotland | | Do. |

Auxiliary vessels obtained by the Navy Department at the time of the Spanish war—Continued.

ATLANTIC OCEAN—Continued.

SPECIAL CLASS.

| Name. | Service. | Gross tonnage. | Speed, knots. | Date of purchase. | Purchase price. | Previous owners. | Where built. | First commissioned in U. S. Navy. | Disposition at close of war. |
|--------------|---|----------------|---------------|-------------------|-----------------|---------------------------------|-------------------|-----------------------------------|--|
| Arctic | Ice boat | 987 | ..... | ..... | \$1 | City of Philadelphia | Philadelphia | July 9, 1898 | Returned to owners. |
| Arethusa | Tank steamer | 3,319 | ..... | Aug. 12, 1898 | 218,992 | Thos. S. Hopkins | Stockton | ..... | Retained in United States naval service. |
| Celtic | Supply ship | 3,738 | 10 | May 14, 1898 | 340,900 | Federal Line (London) | Ireland | May 27, 1898 | Do. |
| Culgoa | do | 3,325 | ..... | ..... | ..... | Federal Line | England | Dec. 3, 1898 | Do. |
| Glacier | Refrigerating ship | 4,154 | 12.5 | July 1, 1898 | 340,550 | Miami S. S. Co. | do | July 5, 1898 | Do. |
| Iris | Dist. ship | 2,716 | 10.5 | May 25, 1898 | 145,000 | Ward Line S. S. Co. | do | Aug. 1, 1898 | Do. |
| Niagara | do | 2,285 | 12 | Apr. 11, 1898 | 200,000 | Thos. Ronaldson | Chester | Apr. 16, 1898 | Sold for \$75,683. |
| Rainbow | do | 2,985 | 12 | June 23, 1898 | 176,576 | Thos. Ronaldson | England | July 13, 1898 | Retained in United States naval service. |
| Resolute | Transport | 2,898 | 16 | Apr. 21, 1898 | 475,000 | Old Dominion S. S. Co. | Chester | May 11, 1898 | Do. |
| Solace | Hospital ship | 3,801 | 15 | Apr. 7, 1898 | 600,000 | Cromwell S. S. Line | Newport News, Va. | Apr. 14, 1898 | Do. |
| Supply | Supply ship | 3,341 | 9.7 | Apr. 30, 1898 | 325,000 | International Navigation Co. | Philadelphia | ..... | Do. |
| Vulcan | Repair ship | 2,729 | ..... | May 2, 1898 | 350,000 | Merchants and Miners Line | do | May 22, 1898 | Sold for \$175,750. |
| Gov. Russell | Ferryboat, converted into auxiliary gunboat. | 713 | 9 | May 11, 1898 | 71,000 | City of Boston | East Boston | June 24, 1898 | Sold to city of Boston, \$25,000. |
| East Boston | do | 732 | 9.5 | June 2, 1898 | 57,500 | do | do | July 5, 1898 | Sold for \$38,091. |
| Peoria | Pilot boat, converted into auxiliary gunboat. | 336 | ..... | May 23, 1898 | 100,000 | Philadelphia Pilot Association. | Philadelphia | May 15, 1898 | Retained in United States naval service. |

PACIFIC OCEAN.

| Name. | Gross tonnage. | Speed knots loaded. | Date purchased. | Purchase price. | Previous owners. | Where built. | First commissioned U. S. Navy. | Disposition at close of war. |
|--------------------------|----------------|---------------------|-----------------|-----------------|--------------------------------|--------------------|--------------------------------|--|
| Coalliers: | | | | | | | | |
| Brutus..... | 3,077 | 9 | June 3, 1898 | \$215,000 | L. F. Chapman & Co..... | England..... | May 27, 1898 | Retained in United States naval service. |
| Nanshan..... | 2,200 | 10 | Apr. 6, 1898 | 156,728 | Frank Smythe..... | Scotland..... | June 8, 1898 | Do. |
| Nero..... | 2,965 | 9 | June 30, 1898 | 216,000 | McCondray & Co..... | England..... | ..... | Do. |
| Special class: | | | | | | | | |
| Zafor (supply ship)..... | 1,062 | ..... | Apr. 9, 1898 | 87,567 | China and Manila S. S. Co..... | Scotland..... | ..... | Do. |
| City of Pekin..... | 5,080 | 14 | Chartered.... | \$1,000 | Pacific Mail S. S. Co..... | Chester..... | ..... | Returned to owners. |
| Tugs: | | | | | | | | |
| Active..... | 174 | 12 | Apr. 18, 1898 | 75,000 | J. D. Spreckles Bros. Co..... | San Francisco..... | July 6, 1898 | Retained in United States naval service. |
| Iroquois..... | 400 | 13.2 |do..... | 180,000 |do..... |do..... |do..... | ..... |
| Vigilant..... | 177 | 12 | Apr. 19, 1898 | 60,000 |do..... | Philadelphia..... | Apr. 6, 1898 | Do. |

a Per day.

Solace required three weeks work to put in readiness, cost \$31,000.

Vulcan required six weeks work to put in readiness, cost \$28,000.

Iris required ten weeks work to put in readiness, cost \$80,000.

In other words, because of the establishment of a direct subsidized Canadian line freight rates on Canadian breadstuffs, lumber, provisions, etc., from Montreal to South Africa are from \$2 to \$3 a ton below the rate exacted by foreign steamships on similar American products from New York to South Africa.

In the bill of the Merchant Marine Commission, one of the proposed new steamship services is from an Atlantic port to South Africa, with a maximum mail subvention of \$187,500 for a monthly and \$375,000 for a fortnightly line. This would give the western farmers equal opportunity with their Canadian rivals in the South African export trade, our share of which has lately been declining.

SHIP MATERIALS ALREADY FREE.

Sections 12 and 13 of the free list of the Dingley tariff allow the importation in bond of "all materials of foreign production which may be necessary for the construction of vessels built in the United States for foreign account and ownership or for the purpose of being employed in the foreign trade, including the trade between the Atlantic and Pacific ports of the United States," "all such materials necessary for the building of their machinery and all articles necessary for their outfit and equipment," and "all articles of foreign production needed for the repair of American vessels engaged in foreign trade, including the trade between the Atlantic and Pacific ports of the United States," and "upon proof that such materials have been used for such purposes no duties shall be paid thereon." "But vessels receiving the benefit of this section shall not be allowed to engage in the coastwise trade of the United States for more than two months in any one year except upon the payment to the United States of the duties of which a rebate is herein allowed." The Merchant Marine Commission in its report of last year recommended that this two months' participation in the coastwise trade be extended to six months.

The effect of sections 12 and 13 of the Dingley tariff free list is to give absolutely free materials to the builders of American vessels for the foreign trade. For more than thirty years the materials for wooden vessels have been free, and iron and steel materials were non-dutiable in the McKinley tariff of 1890.

Yet this free-material privilege has had no appreciable success in checking the decline of ocean shipbuilding in America. Though all the steel plates and beams and angles and materials for the machinery can be brought from abroad without duty, no merchant vessels are constructed here for "foreign account and ownership."

OF NO AVAIL.

The truth is that tariff-free materials do not touch the root of the difficulty at all. If the iron and steel required in the making of the machinery to produce woolen or worsted fabrics were admitted free of duty, the privilege might be of some value if the manufacturer continued to receive protection on his finished goods against the low wages of his competitors in Europe. But if the materials entering into the machinery were free, and if there were no protection whatever on the finished product of the woolen and worsted industry, it is not likely that there would be much demand for the free material machinery, or that many woolen and worsted mills would be running in the United States.

This is exactly the condition of the ocean shipbuilding industry, the one unprotected industry which is constantly face to face with very sharp foreign competition. The materials of the ships are free—just as free as law can make them. But few free materials are imported and no ships are built, because the shipowner, corresponding to the woolen or worsted manufacturer, has no protection from his government against the cheap wages or the subsidies of foreign lands.

MAKING FREE MATERIALS EFFECTIVE.

If, however, a subvention or subsidy were provided to protect and encourage the ship owner to run his ship constantly in foreign trade, then he would have the motive which he almost wholly lacks, for availing himself of the free-material privilege.

As it is now, nobody builds an ocean vessel in America without calculating to have to fall back on the coastwise trade, which is and always has been absolutely protected against foreign competition. Under such a law as that proposed by the Merchant Marine Commission a shipowner could safely contract to build a steamer of free materials if it seemed desirable, and then employ the vessel under subvention exclusively in foreign commerce. But a subvention or some equivalent encouragement to run an American ocean steamship after she is built is indispensable, if any real vitality is to be given to the free-material privilege.

An American ship owner who had a ten-year mail contract for a fleet of steamers in the trade to South America or the Orient would be in a position to command free material prices for the steel for his new ships. Indeed it is assumed and understood in the shipbuilding trade that when a new ocean fleet is awaiting construction in the United States, the steel will be forthcoming at the world's prices. Those steel makers who, as disclosed by the testimony before the Merchant Marine Commission, asked American builders \$32 per ton for plates, and delivered the same plates at Belfast, Ireland, for \$24, were dealing with lake yards and domestic vessels to which the free-material clauses do not apply. Prices of ship steel have advanced in England so that they are now very much nearer to the rates charged here for coastwise vessels.

A BASELESS OBJECTION.

Any argument, therefore, that a subvention to American ship owners in foreign trade would be a subvention to the steel trust, rests upon an insufficient understanding of the facts in the case, and of the broad free-material privilege of the existing tariff. All that is needed to vitalize that privilege and make it of real and great importance to the American merchant marine is to protect and encourage the American shipowner by national subventions.

These subventions, as framed by the Commission, never were intended to compensate for any such indefensible discrimination as that practiced by the steel makers, who asked American builders \$32 a ton for ship plates and laid them down for \$24 a ton at Belfast. It is not the price of materials, or only that in relatively small part, which makes an American vessel cost more than a British vessel. The dominating factor is not the materials, but the wages of the skilled work man who fashions the plates, beams, etc., into the finished ship.

A CASE IN POINT.

A vivid demonstration of this was afforded a few years ago when American and British yards bid against each other for the construction of a cargo steamer with a capacity of 5,000 tons. There was a serious strike at that time in England, and because of this and other causes steel plates were selling there at \$40.86 a ton, as compared with \$28 in the United States. The materials for this ship would have cost the British builders \$80,000; the American builders, \$63,000. Yet, bidding against each other for the narrowest profit, the Americans offered an estimate of \$275,000; the British, \$214,000. The chief reason for this was that American shipyard mechanics receive wages very nearly twice as high as those of their British competitors.

OUR SHIPS CHEAPEST EVENTUALLY.

Yet this does not mean that American ships will always cost more than British ships. There was a time when American locomotives and railway bridges cost a great deal more than British locomotives and bridges, but that was before locomotive and bridge building in this country had gathered experience, practiced standardizing, and achieved all the economies of large production. Now we manufacture locomotives and bridges and sell them in competition all over the world. When, by firm and adequate encouragement to shipping, we develop shipbuilding also to a manufacturing business, high wages paid to workmen in constant, not spasmodic, employment will not prevent a steady output of ships as low in cost as they are efficient and economical in operation.

DINGLEY TARIFF FREE LIST.

SEC. 12. That all materials of foreign production which may be necessary for the construction of vessels built in the United States for foreign account and ownership, or for the purpose of being employed in the foreign trade, including the trade between the Atlantic and Pacific ports of the United States, and all such materials necessary for the building of their machinery, and all articles necessary for their outfit and equipment, may be imported in bond under such regulations as the Secretary of the Treasury may prescribe; and upon proof that such materials have been used for such purposes no duties shall be paid thereon. But vessels receiving the benefit of this section shall not be allowed to engage in the coastwise trade of the United States more than two months in any one year, except upon the payment to the United States of the duties of which a rebate is herein allowed: *Provided*, That vessels built in the United States for foreign account and ownership shall not be allowed to engage in the coastwise trade of the United States.

SEC. 13. That all articles of foreign production needed for the repair of American vessels engaged in foreign trade, including the trade between the Atlantic and Pacific ports of the United States, may be withdrawn from bonded warehouses free of duty under such regulations as the Secretary of the Treasury may prescribe.

STATEMENT OF SHIPBUILDERS.

THE WILLIAM CRAMP & SONS SHIP
AND ENGINE BUILDING COMPANY,
OFFICE OF THE VICE-PRESIDENT,
Philadelphia, January 15, 1906.

DEAR SIR: Referring to your letter of the 11th instant, requesting to be informed as to the number of tons of steel plates and shapes required for the construction of each of four such steamers as we are now building for the New York and Cuba Mail Steamship Company,

and how much more the steel would cost if purchased at the ruling prices in this country than if imported from Great Britain, I beg to state as follows:

The amount of steel plates in one vessel is 1,900 tons and the amount of steel shapes in one vessel is 990 tons.

Recently, by reason of the rapid rise in the prices of materials in Great Britain, the foreign builder pays almost as much for plates and shapes as we do; in fact, the difference in cost between steel purchased in this country and abroad for vessels of this size would be as follows:

| | |
|--------------|---------|
| Plates | \$5,328 |
| Shapes | 5,880 |

making a total saving of \$11,208 in the material purchased abroad. The steamers referred to will cost complete upward of \$900,000 each; so that the difference in the cost of their steel plates and shapes between here and abroad represents only a little more than 1 per cent of the total value of each steamer.

Where vessels have been intended for the foreign trade alone the various steel interests have offered to sell us the materials at the best export prices.

Very truly, yours,

EDWIN S. CRAMP,
Vice-President.

Hon. JACOB H. GALLINGER,
*Chairman Merchant Marine Commission
of the United States, Washington, D. C.*

NEW YORK SHIPBUILDING COMPANY,
Camden, N. J., January 16, 1906.

SIR: In response to your inquiry of the 11th instant, I beg to say that the last quotation which we have on foreign steel was under date of November 20, 1905, when we obtained prices for the purpose of quoting on a steamer to be built under sections 12 and 13, free list, Dingley law. It was afterwards decided to build the steamer abroad.

The foreign and domestic prices at that date appear below. I may add that the domestic prices of steel are the same at the present time, and I am not advised whether there has been any change in the foreign prices.

| | Cents per pound. |
|--|---------------------|
| Plates: Steel Company of Scotland, f. o. b. Philadelphia, in bond..... | 1.73½ |
| Shapes: Steel Company of Scotland, f. o. b. Philadelphia, in bond..... | 1.64½ |
| Plates: Domestic, f. o. b. Philadelphia..... | 1.73½ |
| Shapes: Domestic, f. o. b. Philadelphia..... | 1.83½ |

Difference in cost of plates and shapes for a 500-foot freight and passenger steamer built of foreign steel and domestic steel at the above prices, estimated as follows:

| | Domestic. | | Foreign. | | Difference. |
|-------------------------------|-----------------|-----------|-----------------|-----------|-------------|
| | Cost per pound. | Total. | Cost per pound. | Total. | |
| | <i>Cents.</i> | | <i>Cents.</i> | | |
| 8,000,000 pounds plates | 1.73½ | \$138,800 | 1.73½ | \$138,600 | \$200 |
| 3,000,000 pounds shapes | 1.83½ | 55,050 | 1.64½ | 49,350 | 5,700 |
| Total | | 193,850 | | 187,950 | 5,900 |

We would regard the above as a fair estimate of the amount of steel plates and shapes required in the building of a 500-foot steamer, but the amount, of course, would vary according to the type of vessel. A ship of this size would probably require from 4,500 to 5,000 tons. The completed value in this country of a vessel of this description would be about \$800,000 to \$900,000.

It is only fair to add that at the time the above foreign quotations were received ship plates and shapes were very high abroad, owing to the great activity there in shipbuilding.

Yours, respectfully,

S. M. KNOX,
Secretary and Treasurer.

HON. JACOB H. GALLINGER,
United States Senator, Washington, D. C.

WHAT OTHER NATIONS DO FOR THEIR SHIPPING.

Great Britain began to pay mail subsidies to steamships in 1840, and has paid in mail and admiralty subsidies about \$250,000,000 up to the present time—far more than any other nation.

The purpose of these subsidies was defined by a Parliamentary committee in 1853 to be—

to afford us rapid, frequent, and punctual communications with distant ports which feed the main arteries of British commerce, and with the most important of our foreign possessions, to foster maritime enterprise, and to encourage the production of a superior class of vessels, which would promote the convenience of the country in time of peace and assist in defending its shores against hostile aggressions.

These subsidized British steam lines—about thirty in number—belt the world everywhere, running to foreign as well as to colonial markets.

Because Great Britain was the first nation to offer subsidies on a large scale, she developed by these means, from 1840 to 1860, shipyards and engine works subsequently used to build “tramp” or cargo steamers. So, though the British “tramp” fleet is not directly subsidized, it is indirectly the product of the subsidy system. Most of the subsidized companies own cargo ships as well as mail liners.

Present British subsidy payments are about \$6,000,000 a year, not including the new \$1,100,000 grant to the Cunard Line. Besides the mail subsidies there are admiralty subsidies to fast steamers and retainer bounties to 33,500 merchant seamen and fishermen of the royal naval reserve.

British tonnage, which was 11,737,000 in 1890, had increased to 16,969,000 in 1904.

Recent examples of British subsidy are \$300,000 to a Pacific line from British Columbia to Japan and China, \$200,000 to a new West India line, and \$1,100,000 to the old-established Cunard Line for a swifter service between Liverpool and New York.

The largest single British subsidy is \$1,600,000 to the Peninsular and Oriental Steamship Company for lines to India, China, and Japan. This single British company receives about \$200,000 more than is paid by the United States under the postal-aid law of 1891 to all the steamships beneath the American flag.

FRANCE.

France abolished discriminating duties and adopted the “free-ship” policy in 1866. The result, so a French parliamentary report states, was “ruinous competition” to French shipbuilding.

So in January, 1872, discriminating duties were reestablished, but foreign nations promptly retaliated with discriminating duties against French ships—the United States, by proclamation of President Grant,

October, 1872—and in July, 1873, France repealed discriminating duties and returned to “free ships,” giving at the same time mail subsidies to a few steam lines.

Under “free ships” the French marine steadily decreased and ship-building was smothered, the only gain being in mail steamers. Finally, when it had become difficult to keep alive enough shipyards to maintain the French navy, Parliament, in 1881, offered bounties of a certain sum per ton for vessels built in France, and for every thousand miles traversed in foreign commerce, the navigation bounty being payable at half rates to foreign-built ships.

This bounty system was experimental and faulty at first, but France has patiently improved its details and reduced the extravagant sums paid sail ships, which sometimes enabled them to run in ballast for the bounty. Great shipyards have been developed, capable of building the largest merchant steamers and armor clads, and a naval reserve of merchant officers and seamen has been created.

French tonnage, which fell from 1,072,000 in 1870 to 914,000 in 1881, has increased from 1,104,000 in 1890 to 1,760,000 in 1904.

French mail subsidies are about \$5,000,000 a year, and the construction and navigation bounties about \$3,500,000 additional.

GERMANY.

Germany, like France and Italy, long depended on a “free-ship” policy only, and found it ineffective, German tonnage standing at 1,098,000 in 1873 and 1,243,000 in 1881. Meanwhile German ship-building was dead, and even Germany’s men-of-war were bought in England.

But in 1881 Bismarck, in an earnest address to the Reichstag, urged that imperial aid be given to German shipbuilding and navigation. This was done in 1885 through a law granting a mail subvention of \$1,047,000 a year for fifteen years to the North German Lloyd for a mail service to China, Japan, and Australia, and requiring that the subsidized ships should be built in German yards.

This subsidy created the German shipyards that have built the *Deutschland*, *Kaiser Wilhelm der Grosse*, etc., and the large German battle ships of to-day. In 1890 another subsidy of \$214,000 a year was given to a German steam line to East Africa.

In 1898–99 the Reichstag renewed both subsidies, increasing their amounts to \$1,330,000 for the Asiatic and Australian and \$390,000 for the East African line, and requiring an extended service, at the moderate speed of 13 and 10½ knots. Both of these lines had brought about an increase many fold in the value of German export commerce.

Though Germany gives no direct subsidies to her “tramp” steamers, these profit indirectly by the trade which the subsidized lines have created, and share in the general imperial policy of encouragement to the merchant marine.

For besides the subsidies German shipping is aided by the hauling at cost on German State railways of materials for German shipyards—a virtual bounty on shipbuilding. These State railways also give through preferential rates to goods for export by German steamers, while British steamship managers assert that the passage of immigrants through Germany is obstructed unless they hold tickets by German lines.

The two great German steamship companies running to America, the North German Lloyd and Hamburg-American, were built up largely by the heavy German immigrant traffic of years ago, and when not directly subsidized are assisted in every possible way by the powerful influence of the Government, which regards these companies as the German naval reserve, and a part of the military and commercial machinery of the Empire.

These German companies, having grown rich out of American trade, took fast steamers from their New York service in 1898 and sold them to Spain—one or two were in the fleet which started from Cadiz to attack Admiral Dewey at Manila.

German merchant tonnage, which grew only from 1,098,000 in 1873 to 1,243,000 in 1881, under "free ships" alone, has now rapidly increased to 3,393,000 under these various forms of imperial assistance.

NORWAY.

Norway made her great progress on the ocean many years ago. Of late her tonnage has been almost at a standstill—increasing less than that of any other nation in Europe.

The Norwegians are among the best sailors in the world. Moreover, they will accept the plainest fare and lowest wages. When America and Great Britain began to sell their square-rigged sail ships, after 1870, these passed into the hands of the Norwegians, who could operate them at the least cost. For a time Norwegian tonnage grew rapidly, and the result was hailed as a great success of the "free ship" experiment.

But since, there has come a different story. Norwegian tonnage, which increased from 1,022,000 in 1870 to 1,650,000 in 1880, had gained only to 1,668,000 in 1900 and to 1,779,000 in 1904.

Meanwhile, the tonnage of France, whose people have no such native aptitude for the sea as those of Norway, had risen from about half the Norwegian tonnage, or 914,000 in 1881 under "free ships" alone, to 1,760,000 tons, or almost equal to Norway's, in 1904, with the help of subsidies and bounties.

This contrast in the recent experience of the two nations is significant.

Norway, though far from rich, has now begun to give mail subsidies, which have had a serious effect upon British shipping in the north of Europe, and small bounties to encourage native shipbuilding. Thus, the one country which is supposed to have made the best use of "free ships," has, disappointed in the end, turned like all the rest to some form or degree of positive national subvention or payment from the public treasury.

The Norwegian Government is now moving to correct a weakness in the free-ship policy by denying registry to foreign vessels over twenty years old.

ITALY.

Italy, like France, tried "free ships" for a long time without subsidies, and, like France, thereby almost lost her native shipyards without increasing her merchant marine.

Then, some years ago, like France, Italy turned to a system of bounties to encourage shipbuilding and subsidies to encourage naviga-

tion, together with mail subventions to regular lines. Thus, in Italy cargo vessels as well as mail liners are subsidized—foreign-built craft receiving only one-half of the navigation subsidy given to home-built tonnage.

Under this system, which is believed to be more direct, economical, and practical than the French, the Italian merchant marine has grown rapidly from 860,000 tons in 1893-94 to 1,259,000 in 1904-5. The Italian flag now flies over some of the best modern trans-Atlantic liners in the port of New York, the Mediterranean is full of Italian ships, and the Lloyd Italiano has five new 10,000-ton steamers nearly ready for service to South America.

The cost of the Italian subsidy and bounty system is less than that of the French system, or about \$3,000,000 a year. Italian shipyards are now among the largest and best in Europe, and are constructing not only great merchant steamers but heavy battle ships.

RUSSIA.

Russia stands in the class with China and the United States—nations that have almost totally neglected their ocean shipping.

The Russian has been a "free-ship" policy, carried so far as to smother native shipbuilding. All of the few important Russian merchant steamers and most of the war vessels destroyed or captured by Japan were built abroad, although some were constructed in imperial dockyards. Of merchant shipbuilding in Russia there has been almost none, almost no seafaring population, and, of course, almost no seamen.

The Russian Government has hitherto confined its subsidies of about \$1,600,000 a year chiefly to the so-called "volunteer fleet," a Government concern. But it is noteworthy that since the war with Japan the Russian statesmen, ascribing their defeats at sea largely to the fact that the Japanese had a good ocean shipping and a naval reserve of real sailors while Russia had none, have resolved to foster their merchant shipping on a liberal scale, beginning with two subsidized lines to the United States—one out of the Black Sea, one out of the Baltic.

Russia's present merchant vessels are chiefly of the river and coast-wise type, aggregating about 1,000,000 tons, with very few ocean craft among them.

JAPAN.

Japan up to 1894 gave a few small subsidies and depended on "free ships" from Europe, with a result so discouraging that at the outbreak of the war with China the Japanese merchant marine, of only 200,000 tons, could not furnish enough vessels fit for transport service, and the Japanese campaign in Korea and Manchuria was seriously embarrassed for lack of transportation.

This one object lesson of the value of a merchant shipping was enough for the acute Japanese. They adopted a liberal policy of bounties for native shipyards and subsidies for both cargo vessels and mail liners, with such effect that their tonnage, much of it home built, has increased more rapidly since 1896 than that of any other nation in the world.

A dozen years ago nothing but junks and small coasters were constructed in Japan. Now, under the influence of subsidies and bounties,

13,000-ton merchant steamers are being built at Nagasaki and Japanese dockyards are at work on battle ships as large and powerful as any of the United States.

The Japanese merchant marine, all subsidized, has increased from 200,000 tons in 1896 to 830,000 tons in 1904.

A line to Europe has a subsidy of about \$1,000,000 a year; a line to Puget Sound, \$330,000, paralleling an American line which receives from \$5,000 to \$10,000 in mail pay from the United States.

A Japanese line to San Francisco has between \$500,000 and \$600,000 for three steamers, while the five American steamers of the Pacific Mail on the same route receive only from \$40,000 to \$70,000 in mail pay.

Japan was spending \$3,000,000 a year in subsidies and bounties before the war with Russia, giving bounties even to her fishermen. Her expenditures must now be considerably more, but she feels justified by her victories over Russia, won largely by naval-reserve men from her merchant marine, and by the efficient transport service maintained throughout the war to Korea and Manchuria.

SWEDEN.

Sweden long practiced "free ships" alone, but, like every other country which has tried this policy, is now paying subsidies or subventions, not, however, to all her vessels, for the little Kingdom could not afford it, but to certain lines.

The Swedish Government follows the practice which the British Government in the Cunard subsidy has lately adopted on such a lavish scale, of lending money from the public treasury to shipping companies. In this way Sweden has loaned out over \$400,000 recently to lines to Germany, Great Britain, the Mediterranean, and South Africa, and the Royal Board of Trade has lately recommended a further subvention of \$254,000 for a line to South America.

Swedish tonnage, thus encouraged, has increased from 530,000 in 1893-94 to 791,000 in 1904-5—less than that of Japan. The Swedes, like the Norwegians, are among the world's best sailors.

SPAIN.

Spain follows a "free-ship" policy, with a registry tax per ton, and grants mail subsidies of about \$1,600,000 a year to steam lines to the West Indies, South America, etc.

The Spanish merchant marine suffered in the war of 1898 with the United States both by the capture of vessels and the loss of the colonial trade of Cuba, Porto Rico, and the Philippines, which had been reserved to the Spanish flag. Now, however, the Spanish shipping is recovering. Its tonnage, which was 615,000 in 1893-94, was 800,000 in 1904-5.

AUSTRIA-HUNGARY.

Austria-Hungary, like France, Italy, and Japan, gives bounties to shipyards and subsidies to cargo vessels and mail liners, and the result has been a considerable, steady growth in the national marine.

Austrian steam lines now run in the south European, African, and Asiatic trade and across the Atlantic to the United States. Austrian tonnage has increased from 292,000 in 1895-96 to 574,000 in 1904-5.

Austria expends on mail and other subsidies about \$2,000,000 a year, or nearly twice the amount of ocean-mail payments of the United States.

SOME FACTS ABOUT THE FRENCH SUBSIDY SYSTEM.

The French merchant marine is a staple argument with the opponents of national aid to the merchant marine of the United States. A brief review of French maritime policy, therefore, may be of interest.

For many years France gave no systematic help to her merchant shipping. She did, however, follow the free-ship policy of allowing her merchants to buy ships abroad and register them under the French flag at a nominal fee. This is a fact—that France has exhaustively tried the free-ship policy—that opponents of American shipping legislation almost always ignore.

It is instructive that under this free-ship policy, long and patiently tried by the French Government, French maritime interests steadily declined. The French merchant fleet was smaller in 1881 (914,000 tons), than it had been in 1870 (1,072,000 tons), while French shipyards had become so few in number that there was difficulty in finding yards to maintain the French war fleet.

In 1872-73, in despair at the failure of the free-ship policy, the French Government resorted to discriminating duties, but was forced to abandon the effort after eighteen months because of the threatened retaliation of other governments, our own included.

In 1881 France began her present system of bounties to shipbuilders and subsidies to shipowners. Previous to that she had been giving mail subsidies to a few steam lines after the English example, and these steam lines—notably the Messageries Maritimes and the Compagnie Générale Transatlantique—made up the bulk of the French merchant marine.

The French subsidy system was an experiment. With all the faults of new experiments it worked unsatisfactorily at first in some particulars. But France persisted because she believed that on the whole the system was advantageous to her interests. Since 1890 the tonnage of French steamers has increased from 805,000 to 1,266,000, and the tonnage of French sailing vessels from 298,000 to 494,000. The French law, for reasons that seemed sufficient to the Government, gave subsidies proportionately larger to sail vessels than to steamers. Commercially this was doubtless a mistake, but the French Government desired to encourage sail vessels to make sailors for the navy. Recently, however, the French law has been modified, so that now steamers fare as well as sail vessels.

It is common for foes of shipping legislation in America to insist that the French subsidy experiment has been a failure. However, it is not so regarded by most of the French statesmen themselves. Nor is it so regarded by careful and competent neutral observers. Ameri-

can Consul-General Skinner, at Marseille, France, says, in a report to Washington, replying to inquiries from this country:

1. The subsidies and subventions paid by the French Republic to its merchant marine cover not only the building but also the operation of French ships engaged in foreign trade.

2. There is no doubt whatever that the payment of subsidies has increased the number of French ships engaged in foreign trade. In many cases these subsidies have created the lines to which they are paid. Practically every vessel floating the French flag and engaged in foreign trade either receives or has received bounty from the Government. Under certain conditions, after the expiration of a period of years, the subvention for mileage covered is no longer paid. I assume that my correspondents are in possession of the French law on this subject, and hence shall not go into a discussion of legislation as it stands. The revision of the law a few years ago resulted in an immediate increase in the national merchant marine.

3. No doubt the increase in vessels has also increased the percentage of the world's commerce carried under the French flag. In order to secure the subvention for mileage, ships must necessarily remain in commission and therefore find freight.

4. The amount paid to the highly subsidized lines, such as the lines from Havre to New York and Marseille to a great number of places, particularly in the Orient, bears very little relation to the value of the service rendered in carrying the mails. The carrying of mails is merely incidental.

5. The subsidized lines are those having direct contracts with the Government, under which the ships ply between far-distant ports, as, for example, between Hong-kong and Marseille and Marseille and the Levant, and not between such ports as Calais and Liverpool, suggested by correspondents. A distinction is made in France between the words "subsidy" or "subvention" and "premium" or "bounty." Subsidies are paid to lines contracting with the Government for special services. A premium or bounty is paid under certain conditions to all French vessels plying between French ports and any foreign ports where trade is available. The bounty is paid upon the basis of marine miles covered.

6. The value of fast merchant steamers as naval auxiliaries in time of war is a technical question about which considerable difference of opinion exists. Undoubtedly these steamers would have a certain value in time of war, as we already know in the United States in consequence of our experience during the war with Spain.

7. On June 30, 1903, the French merchant marine consisted of 690 steamers of 559,000 tons net, and 601 sailing vessels of 415,000 tons net. During 1903 this fleet was increased by 83,000 gross tons. The subsidies paid for mail steamers amounted to \$5,019,308 in 1903, and has averaged about that amount since 1894. The premiums paid for building new ships amounted to \$2,994,184 in 1902, against \$1,838,625 in 1901. The subventions or premiums paid for navigation in France amounted to \$4,007,681 in 1902, having increased fairly steadily from \$575,312 in 1881.

The French bounty and subsidy law is undeniably far from a perfect system. The French, a brilliant people, are not the best in maritime affairs. The significant fact is that they tried free ships alone and failed; but they have improved their maritime strength by the addition of bounties and subsidies, even though their particular method be an ill-contrived one. Under certain circumstances subsidies are so unnecessarily large that ships can sail about in ballast. That would not be possible under any legislation ever offered in America. Here the rates proposed would not more than pay one-fourth of the running expenses of the ships, so that they must have a cargo or lose three dollars to every dollar of subsidy earned. The present American shipping bill, as the Merchant Marine Commission frankly says, would not equalize conditions for American sail vessels against "the excessively subsidized fleet of France." But it would put American ships on approximately even terms with British, German, or Norwegian sail vessels.

The French subsidy system has worked well enough to induce Italy, a near neighbor, to adopt the same system with improvements. Italy, also, whose fleet languished under free ships alone, is now increasing her tonnage. Although the success of any given nation with national

aid by subsidy and bounty depends naturally on the native aptitude of its people for the sea, there is not a single instance in which this aid has failed to increase a country's merchant fleet. France is relatively the least and Japan (the latest to try subsidy) is the most signally successful. Every one of the nations now giving subsidy has tried free ships and found this expedient disappointing while standing alone.

France, Italy, and Japan allow their people to buy ships abroad, but these foreign-built ships do not enjoy the full benefits of subsidy and bounty bestowed on home-built vessels. Germany, though allowing her merchants to buy foreign ships in general, denies the imperial mail subsidies to ships that are not built in German shipyards.

THE "FREE SHIP" QUESTION

To repeal our century-old registry laws and allow shipowners to buy or build at low prices abroad the ships needed for our commerce seems at first glance an easy and inexpensive way of securing a large mercantile marine.

ONLY HALF THE QUESTION.

But it meets only one-half of the question. American ships now cost more to build than foreign ships, chiefly because American shipyard wages are higher, and only in very small part because of the cost of materials, which are free anyway for vessels for the foreign trade.

But American ships also cost more to run after they are built, because of the higher wages on shipboard, and often, also, because foreign ships not only have low wages, but receive bounties from their governments.

"Free ships" would not solve this difficulty; they would not touch it.

A CASE IN POINT.

Suppose two steamers, identical in size and cost, were built side by side in a British yard and sold, one to an American, the other to a British company, for the trade to South America. The steamer flying the British flag could procure its officers and crew at Liverpool for wages about 30 per cent less than the steamer flying the American flag could at New York or New Orleans.

This is a serious handicap, but the British steamer, besides carrying the British mails, would receive some thousands of dollars in subsidy, while the American steamer would receive either nothing at all or at most some few hundred dollars of United States mail pay.

Perhaps the British subsidy would be large enough to guarantee a handsome dividend on the British steamer, which could thereby carry freight at cost, while the American steamer, without the help of a subsidy, would either have to ask higher freight rates on American goods, or forego a dividend altogether.

A TARIFF SIMILE.

This illustration will show that "free ships," even if the policy were adopted, would not solve the shipping question; that there would still be left the difficulty of the higher American shipboard wages, and in some cases also of the foreign subsidies.

It would be very much as if a policy of free trade were adopted, for example, in the machinery of woolen mills. Of course, the immediate result of the entire removal of the protective duty would be to

kill the manufacture of such machinery in the United States and reduce a number of skilled mechanics to idleness and want. But the woolen mills could import their machinery free of duty, and doubtless would get it for a somewhat lower price.

If, now, a protective duty were kept on woolen goods, it is probable that a great deal of "free" foreign machinery would be bought and operated. But if there were no protective duty whatever on woolen manufactures—just as there is now no protection for ships—it is probable that foreign woollens made with low wages would overwhelm our mills, and that even with machinery "free," very little, if any, machinery would be purchased.

THE WORLD'S EXPERIENCE.

In the matter of shipping, this is no mere conjecture. It is exactly what has happened in the maritime experience of the world. In the years between 1840 and 1860 the crisis of the transition from sails to steam and from wood to iron in shipbuilding, the British Government gave generous subsidies to steamship lines; at this date the chief part of British steamship tonnage was subsidized. One result was to give iron shipbuilding and steam-engine building such an impetus in British yards that no nation could compete with them. Foreseeing this, the British Government for the first time passed a "free-ship" law, shrewdly hoping that all other nations, especially the United States, would follow, and that soon all the ships of the world would be built of British iron by British workmen.

FRANCE.

But the United States did not follow. After a time, however, France did, and Germany and Italy and Norway and other nations.

The result in France was that in 1881, after a long trial of the privilege of buying "free ships" in Great Britain, the French people found themselves with fewer ships (914,000 tons) than they had in 1870 (1,072,000 tons), while French shipbuilding had so nearly disappeared that it was difficult to get new battle ships for the national defense without going to England for them also.

Of course, this weakening of the French navy was one of the results which British statesmen had sought when they gave their first subsidies to steamships, and encouraged their neighbors across the channel to adopt a "free-ship" policy.

DRIVEN TO SUBSIDY.

In despair at the disastrous consequences of the "free-ship" policy, and realizing how Great Britain had tricked her, France now adopted an elaborate plan of subsidies to French shipping, steam and sail, and bounties to shipbuilding. The French subsidy system in many respects was a blundering one, though it has been much amended and improved.

But with all its faults of detail it has established French shipyards fit to build the heaviest armor clads; it has created a large naval reserve of merchant officers and sailors, and finally it has increased French tonnage (which shrank steadily under "free-ships") from 914,000 in 1881 to 1,760,000 in 1904, very nearly double.

GERMANY.

Germany also tried "free ships." Her merchants were allowed to buy all their seagoing vessels in Great Britain, but while this expedient increased German tonnage scarcely any (only from 1,098,000 in 1873 to 1,243,000 in 1881), it did smother German shipbuilding so effectively that there was not a yard in the Empire that could construct a man-of-war to protect the coasts, and the few armor clads which Germany possessed were bought of British builders.

In 1881 Bismarck appealed to the Reichstag to put an end to this, and to give subsidies to German steamship lines after the British example. A subsidy of \$1,047,500 was given to the North German Lloyd for a service to Japan, China, and Australia, and of \$214,000 to another company for a line to Africa.

But the Reichstag would have no "free ships" for those new lines. It required, significantly, that the subsidized ships should be built in German yards, as far as possible of German materials. Thus, these subsidies created the German shipyards that are now building Kaiser Wilhelm's battle line, and have built the monster *Deutschland* and other Atlantic flyers.

THOROUGHLY PROTECTED.

German shipping, which had made no notable increase under "free ships" alone, has grown wonderfully since Bismarck led the way for imperial encouragement. Besides these generous mail subsidies, the German State railways haul material at nominal rates for shipyards—a virtual bounty on shipbuilding—and these same State railways grant favorable rates on goods exported by German steamers.

The German merchant marine interests are fostered in every possible way, and though a "free-ship" policy still exists, relatively few German steamers are now bought abroad.

German tonnage, which was 1,243,000 in 1881, is now 3,393,000.

NORWAY.

Norway at first made best use of the "free-ship" experiment. The Norwegians are born sailors, and they work for almost the lowest wages. Between 1870 and 1880 Norway bought a great many American and British sail vessels, sold at a low price because they could no longer compete with steam, and Norwegian tonnage rose rapidly from 1,022,000 to 1,650,000.

But there it seemed to stop. While France, with very much less aptitude for the sea, increased her tonnage by help of subsidy from 1,104,000 in 1890 to 1,760,000 in 1904, Norwegian tonnage has scarcely gained at all, or only from 1,650,000 to 1,779,000.

But now Norway, though she is very poor and small, has followed the other nations in showing her dissatisfaction with "free ships" alone, and has begun to give small subsidies to regular mail lines and bounties to native shipbuilding.

ITALY.

Italy tried "free ships," as France and Germany did, with exactly the same experience. Her ships did not increase, and her shipyards vanished. Finally Italy also, to save her shipping trade, was forced

to adopt a comprehensive system of subsidies to all ships, including bounties on construction.

The Italian merchant fleet has grown rapidly of late years, from 860,000 tons in 1894 to 1,259,000 tons in 1904.

JAPAN.

Japan, too, has followed the same course. She tried "free ships" persistently, with the result that as late as 1894 she had only 200,000 tons of shipping of all kinds, and almost no shipyards.

The war with China in 1894 taught Japan a sharp lesson of the value of a merchant marine. She turned now to subsidies and bounties on a liberal scale, developing steamship lines and native shipyards, and possessed a merchant fleet of 830,000 tons in 1904, sufficient for her needs of transports and auxiliary cruisers in the greater war with Russia.

GENERAL CONCLUSIONS.

To sum up, therefore, it may be said that all the maritime nations of the world have tried "free ships" in the past, and, disappointed with the results of this expedient alone, have now all turned to some form or degree of subsidy, bounty, or subvention.

Even Great Britain has so little faith in "free ships" as an economic principle that her recent mail contract with the Cunard Line requires specifically that the subsidized steamships shall be "built in the United Kingdom." Thus the "free-ship" idea is conspicuously flouted, though not formally abandoned by the British Government.

Other governments, as a rule, do not actually forbid a "free-ship" policy, but they do all they can to encourage their merchants to build their ships at home, and not add further to the maritime dominance of Great Britain.

European bounties on shipbuilding are, of course, a direct discouragement to "free ships" and a powerful protection to native industry. If the United States Government were to pay ten to twenty dollars a ton on every ship built in the United States something might be said for the free registry of British-built vessels in America. But to practice "free ships" without any aid or encouragement to home building is something which is done now by not one of the maritime nations.

OF DUBIOUS ADVANTAGE.

Even if the "free-ship" policy were applied in connection with a subsidy policy in the United States, the "free-ship" principle would be of very dubious advantage. If out of 100,000 tons of steamships subsidized and added to our merchant fleet in a single year 50,000 tons were built in this country and 50,000 tons bought in Great Britain, the 100,000 tons would undoubtedly cost less than if they were all of American construction.

But, on the other hand, to the extent of 50,000 tons we should then have developed the shipyard resources of the United Kingdom, and should have deprived American yards of 50,000 tons of that experience which must be had before American ship prices can be reduced, as they must some day be reduced, to the level of our formidable competitor.

HOW TO REDUCE COST.

American shipyard wages are the highest in the world. But they are no higher than the wages in American locomotive works and bridge works, and American locomotives and bridges are competing in cost with similar British articles.

How, with our high wages, have we been able to bring down the price of American locomotives and bridges? Why, by keeping these works constantly employed to their full capacity, by standardizing their product, and by maintaining steadily an enormous volume of production.

PLAYING INTO FOREIGN HANDS.

To manage to do the same thing with our shipyards is finally to reduce the price of ships, and it is the only sure way in which this can be accomplished, except, indeed, by a reduction of American shipyard wages, which nobody would advocate.

But to buy ships in Great Britain under a "free-ship" policy instead of building the ships, even at a temporarily higher price here, is to hamper this process of industrial evolution and play directly into the hands of our great antagonist.

AS THE ENGLISH SEE IT.

This fact is clearly seen by our British rivals. As the London Engineer not long ago said:

Free ships would be a good thing for our English shipbuilders, for whether at first or at second hand, the vessels purchased would be of English build for the most part. The development of a native American shipbuilding industry can be of advantage to neither builders nor owners here.

ALSO THE AMERICAN VIEW.

This is also the expert view of the practical ship merchants of America. Nearly all of the experienced shipowners of this country engaged in foreign trade testified in the course of the recent long and careful inquiry of the Merchant Marine Commission.

These practical men were asked: "Do you desire 'free ships'?" "If Congress changed our law and enabled you to buy ships abroad and run them in the foreign trade, would you do so?"

With only one or two exceptions, these practical men emphatically replied that they did not desire "free ships," that they could not buy foreign vessels and run them under the American flag at the American wage rate against the cheap wages and often the subsidies of their foreign competitors; that "free ships," if adopted, would prove to us, as to others, a delusion, and would be of no advantage whatever toward the real development of an ocean fleet in the United States.

ALL OPPOSED.

Moreover, the Merchant Marine Commission caused a direct special inquiry to be addressed to the International Mercantile Marine Company and other concerns, wholly or in part American, owning ships under foreign colors. The managers of these concerns, representing

practically all of the American investments in foreign shipping, were asked point blank if they would put their ships under the American flag provided Congress opened registry to them.

Without an exception, in reply to this specific question, they said they would not do so, unless, indeed, enough aid were given through subsidy or discriminating duty to enable these foreign-built ships to pay American wages to their crews and to offset foreign subsidized competition.

Yet, if there were any actual benefit in "free ships," these American owners of vessels under foreign flags would be the prime beneficiaries.

Their unanimous opposition, therefore, is exceedingly significant. "Free ships" are not only discredited by the experience of the world, but are overwhelmingly opposed by the trained judgment of American ship merchants.

TONNAGE TAXES.

Tonnage taxes are now lowest in the United States of all mercantile countries. The present rates here are 3 cents per net register ton (not to exceed 15 cents per ton a year) on each arrival of a vessel, American or foreign, from a foreign port in the North American Continent or adjacent islands, and 6 cents per net register ton, not to exceed 30 cents per ton a year, on each arrival of a vessel from a distant foreign port (Europe, Asia, South America, Africa, etc.).

The proposed bill of the Merchant Marine Commission in section 8 provided an increase to 8 cents per net register ton, not to exceed 80 cents per ton a year, on each arrival of a vessel from the near by, and 16 cents a ton, not to exceed \$1.60 per ton a year, on each arrival from distant foreign ports, but this section was withdrawn in the Senate before the passage of the bill because of an objection that as a revenue measure it should originate in the House of Representatives.

Following a British precedent of remitting a part of the tonnage taxes to British ships carrying boys as apprentices, this section remitted 80 per cent of the increased tonnage taxes to American vessels carrying boys as apprentices enrolled in the naval reserve.

Allowing for this rebate, the increased tonnage taxes, it was estimated by the Merchant Marine Commission, would provide for a net increase of \$1,900,000 a year over the present revenue from tonnage taxes, which was \$856,204 in the fiscal year ending June 30, 1905. In that year the United States expended \$3,686,000 on its light-house and buoy service. Great Britain collected in 1903 £548,196 in tonnage taxes and spent £499,404 on her light-house and buoy service.

British tonnage taxes up to 1899 were twice as high as ours. Then, on a suggestion of increasing the taxes in this country, British taxes were cut down to a maximum of 32 cents a ton for steamers and 27 cents for sail vessels.

German taxes at Hamburg are a little over and at Bremen a little under 8 cents a ton on each arrival, so that a steamer arriving at either port twelve times a year would pay now 96 cents a ton against a maximum of 30 cents a ton at New York.

French taxes are 20 cents on each arrival, producing a sum sufficient to pay the construction and navigation bounties to French shipping.

Italian taxes are 27 cents on each arrival, commutable, however, on three arrivals to 81 cents a year. These taxes produce a revenue more than sufficient to pay the construction and navigation bounties given to Italian shipping.

Spanish taxes are 48½ cents per ton of weight unloaded, with no tax on vessels arriving in ballast.

Norwegian taxes are 35 cents per net ton on each arrival for that portion of the vessel's net tonnage actually filled with cargo.

Austrian taxes are 16 cents on first and second voyages, 12 cents on third and fourth, and 8 cents thereafter.

The net register tonnage of a vessel represents the cubic space (exclusive of crew quarters, machinery, etc.) actually available for passengers and cargo.

THE SOUTH AMERICAN TRADE.

Not one American steamship is now engaged in trade with South America beyond Venezuela. There is a line of the Pacific Mail Company in the Pacific from San Francisco to the Isthmus of Panama touching at Mexican and Central American ports—a line long in existence and maintained for many years by special contract with the Panama Railroad. In the Atlantic there is a line direct from New York to Colon, formerly owned by the Panama Railroad and acquired with the rest of the railroad and canal property by the United States Government, which operates several steamers in the service.

From New York there runs an American commercial line, the "Red D," to the Dutch West Indies and Venezuela, touching en route at Porto Rico, and receiving a mail subvention of about \$103,000 a year, under the terms of the postal aid law of 1891. This service is regular and efficient.

But these three steam lines, one of them owned by the Government, and only the "Red D" Line running south of the Isthmus, represent the entire share of the United States in the ocean trade of South America. Not one American steamship now runs to Brazil, Uruguay, Argentina, Chile, Peru, or Ecuador, and even American sail vessels are disappearing from the trade. In the six months ending June 30, 1904, only three American sail craft arrived at New York from South America—two at Baltimore and one at Boston.

There are several so-called steam lines under foreign flags operating between our Atlantic ports and South America, chiefly out of New York, but the word "line," as applied to them, is generally misnamed. Some foreign steam tramps occasionally appear also in the trade. As a rule these foreign steamers are owned by foreign companies, with headquarters in Europe and their main interests in Europe; and if these ships are needed for European trade they are unceremoniously taken from America. Merchants say that sometimes on the day these foreign ships are advertised to sail from New York they are actually in England, having never come over at all.

The slowness, irregularity, and general inefficiency of the foreign steamship service between our ports and South America have been described in strong terms by many manufacturers and merchants, who appeared as witnesses before the Merchant Marine Commission.

Only two of the foreign steamers now more or less regularly engaged in our trade with South America are at least nominally of 14 knots, the speed required of the Atlantic Brazil and Argentina mail line in the proposed bill of the Merchant Marine Commission. Some of these foreign ships are actually as slow as 8 or 9 knots, and conditions seem to get worse instead of better.

A WRETCHED MAIL SERVICE.

In the annual report of the Postmaster-General this year, under the head of "Foreign mail service," Mr. Cortelyou says:

This (the lack of regular and efficient steamship service) is especially true in regard to several of the countries of South America with which we have cordial relations, and which, for manifest reasons, should have direct mail connections with us. I refer to Brazil and countries south of it. Complaints of serious delay to mail for these countries have become frequent and emphatic, leading to the suggestion on the part of certain officials of the Government that for the present, and until more satisfactory direct communication can be established, important mails should be dispatched to South America by way of European ports and on European steamers, which would not only involve the United States in the payment of double transit rates to a foreign country for the dispatch of its mails to countries of our own hemisphere, but might seriously embarrass the Government in the exchange of important official and diplomatic correspondence.

A few years ago the National Association of Manufacturers sent out a delegation of its members to make a special study of trade conditions in South America. They were compelled to cross on the American Line to Southampton and thence to recross the Atlantic in subsidized ships of the Royal Mail to Rio de Janeiro and Buenos Aires in order to travel with reasonable comfort and dispatch. Now our mails are often compelled to go that way and some of our merchandise. Consul-General Eugene Seeger, at Rio de Janeiro, reports that because of the lack of American ships and because of the high discriminating freight rates enforced by foreign shipowners, "a Rio commission house made a profit by shipping flour to New York and thence to Rio, although the increased distance of travel was over 3,000 miles."

EUROPE'S GREAT ADVANTAGE.

Every one of our European rivals in trade now has swift, regular, and efficient steamship communication under its own flag with South America. Before the civil war the British Government created the Royal Mail Steam Packet Company with the grant of a subsidy of \$1,200,000 a year for a steamship service to the West Indies and the Isthmus of Panama, subsequently extended with an increased subsidy of \$1,300,000 to Brazil and Argentina. When after several years this British steamship line had become securely established its subsidy was gradually reduced to \$400,000 a year.

In the wake of these subsidized European steam lines, other steamers not always directly subsidized, but indirectly beneficiaries of the policy, have followed to share the trade the subsidies created. France has subsidized steam lines of her own to South America; so has Italy, which, like France, subsidizes everything and is swiftly building up not only a merchant fleet but commerce. The new Lloyd-Italiano Steamship Company between Genoa and South America has five 10,000-ton ships nearly ready for service—more than twice as large as any foreign steamer now plying regularly or irregularly between our ports and South America.

Germany has 43 large steamers in her South American trade and 6 more building, representing all together 217,000 tons. Nineteen of these have been built since 1900. They ply on four routes from Hamburg to the La Plata countries and Brazil.

The Portuguese Chamber of Deputies has recently granted a subvention to a Portuguese company in the shape of guaranteed dividends of 6 per cent a year for a line to South America.

Even little Sweden is looking to the South American field, the Royal Board of Trade having recommended a subvention of 950,000 kroner (\$254,000) for a new steam line to encourage Swedish exports to Argentina.

The American consul-general at Yokohama advises the State Department that the Toyo Kisen Kaisha is establishing a line of steamers from Japan to Chile with a generous subsidy from the Japanese Government. The first vessel of this new Japanese service is now on its way out to South America. It is also announced that another Japanese line is to be started by subsidy to Argentina and to be extended later to Brazil.

Thus every other nation, including even Sweden and Japan, is providing steamship service at the national expense to assist its manufacturers and merchants to capture the markets of South America. Only the United States stands aloof, inactive, and neglectful.

FOREIGN MONOPOLIES.

Not only is the United States Government doing nothing to provide American ships for our South American commerce, but it is allowing our trade to be stifled or diverted to other lands by the arbitrary acts of foreign steamship monopolies. Several years ago Consul-General Seeger, at Rio de Janeiro, gave fair warning of the methods and purposes of the foreign steamship ring, controlling our trade with the greatest country of South America. He said in his report to our Government:

The united steamship companies which control the carrying trade between the United States and Brazil—the Lamport & Holt Line, the Prince Line, the Robert M. Sloman Line, and the Chargeurs Reunis—have agreed to raise their rates on coffee from Santos and Rio de Janeiro from 30 cents and 5 per cent primage per bag of 133 pounds to 35 cents and 5 per cent. This rate will go into force in October, but as the cargoes for the steamships *Byron*, *Catania*, *Bellarden*, and *Soldier Prince* have already been in large part purchased, these steamers, leaving in the early part of October, have been excepted from this tariff and will carry their cargoes at the old rate.

A EUROPEAN STEAMSHIP TRUST.

This European steamship monopoly, which our own neglect of our merchant shipping makes possible, is thus further described by a writer in a commercial journal:

THE BRAZILIAN SHIPPING RING—A COMBINATION THAT HOLDS THE SHIPPERS TIGHTLY IN ITS GRASP.

[By Julian Haugwitz in "American Trade."]

No phase of industrial development receives more attention at this day than the increasing formation of trusts and combines in all branches of trade, and the news of every freshly organized concentration is followed by a cry of alarm and by animated journalistic dissertations. Without attempting to solve the question of whether a trust or a pool is nowadays an economical necessity, whether the trust movement is in the line of industrial progress and the advantages offered by large capitalistic conglomerations outweigh the attending evils, this sketch purports to give an instance of the fact that the tendency to consolidate similar interests is more general than would appear from census or charter issues; that there exist trusts unnamed and organizations unwritten so far as any public record goes, and against which the law can afford no relief.

POOLS IN TRANSPORTATION.

Pools in the transportation business are old in history, and numerous have been the legal enactments devised to prevent extortions and discriminations along the arteries of trade on the part of the railroads, and such measures have been successful in that they have had a curbing influence if the evils aimed at were not abolished

altogether. Among the ocean carriers, which are necessary links in the chain of international trade, similar combines have been existing a long time, and here the cosmopolitan character of the partners has made national intervention impossible. Rather than restrain steamship companies they have been pampered, coddled, and fed on subsidies, as a favorite among all other commercial enterprises, by every nation that owns a strip of seashore, and no harsher despotism nor oppression more arbitrary has been endured than that imposed on the maritime trade.

THE BRAZILIAN SHIPPING RING.

Our commerce with Brazil and the River Plate countries is at the mercy of such a shipping combine. Ostensibly four lines are competing in "serving" the route between New York and Pernambuco southward, viz, the Lamport & Holt Line, Prince Line, Norton Line, all British, and the R. M. Sloman Line, which is German. In reality, however, the management of these services is centralized in Liverpool, the freights are pooled, and the spoils divided pro rata.

At the head of this syndicate stands Lamport & Holt, of Liverpool, a powerful firm owning and managing over a hundred vessels. The ships engaged in the New York-South American service are mostly slow and obsolete, steaming 8 to 10 knots an hour, and yet the rates of freight levied on American cargo are nearly double those charged by the speedy, modern, elegant ships plying between Europe and the east coast of South America. Not a case of kerosene or a bag of coffee can escape paying toll to this freight ring, and there was more truth than comedy in the facetious request sent by a Rio shipper to the syndicate's agents at that port asking for a permit to ship some coffee on an outside vessel over their ocean. Numerous tramps or outsiders have been willing in Brazilian ports to take coffee to New York for 20 cents a bag instead of 40 cents, as now exacted. But whenever such a vessel has been placed on the berth the syndicate has promptly lowered its freight to 10 cents, besides boycotting the shippers patronizing the intruder.

A POLICY OF EXCLUSION.

Another way by which the syndicate tightens its grip on its victims is to offer them a graduated return on the freights paid at the end of the year provided no case of infidelity has occurred. An example illustrative of the combine's methods of persuasion and the shippers' liberty of trade happened last fall when a large coffee firm in Santos received an order for 20,000 bags of coffee from New York. The syndicate's freight charge was 40 cents a bag plus 5 per cent, but several outsiders were anxious to carry this cargo at 20 cents, which meant a saving of \$4,000 to the exporter on this lot alone, and in the same proportion an economy of \$1,000,000 to American coffee drinkers on the 5,000,000 bags imported from Brazil last crop year. The firm in question, having the freight room on hand at 20 cents, asked the syndicate to take the coffee at the same rate, and on the latter's refusal advanced its offer to 30 cents. The combine insisted on its full pound of flesh, and when the exporter accepted the tramp's charter, the former dropped its rates to 15 cents and later to 10 cents for all other shippers, debarring this firm and one or two other strikers from shipping on the combined boats except at the full old rates.

The enormous advantages enjoyed by their less independent competitors, thanks to the combine's bounty, and worth thousands of dollars a day in a business worked on close margins and daily cable offers, soon brought the insurgents to terms, capitulation followed and the former rates were restored. One over-conscientious agent at Santos demurred to boycotting his neighbor, and his scruples cost him the loss of the Sloman Line agency.

AMERICAN SHIPS THE REMEDY.

The remedy against this combine, as against all similar conspiracies, I believe to lie less in legislative drugs than in homeopathic treatment. To combat like with like, or with better, is a maxim that must succeed in trade. When trusts become extortionate their profits will invite the formation of rival trusts. No monopoly can evade the laws of competition, and though that competition is harder to organize than in the days of small individual enterprises, yet competition has simply been removed to a higher, larger plane. In the case before us the returns earned by the combined lines should attract the establishment of an independent American line which would build or buy ships more modern and more economical to run, and offer shippers and passengers faster voyages at a smaller cost of operating. In addition, mail subsidies would probably be granted by one or more countries which would be connected, as in the case of the defunct United States and Brazil Mail Steamship Company. There is no doubt that the early stages of the existence of a

new American line to Brazil would be stormy, but faster service, better and more economical ships, together with fairer business methods, must win the issue in the end, affranchise American commerce from this foreign despotism, and secure for our own glory and enjoyment the trophy of American trade on American ships.

It is possible that if there were American steamship companies in our trade with South America, they might form a combination of their own. But, in that event, as American companies organized in the United States, they could be held responsible by our Government, while it would be very much more difficult to prosecute and break a combination "in restraint of trade" by foreign companies which can not so readily be reached by American laws.

Moreover, if there were American steamship companies, their stock or bonds would be owned or controlled in large measure by American merchants and manufacturers and other business men who would have a great deal of interest in maintaining favorable rates for our export trade to South America. On the other hand, the foreign steamship companies, whose inferior vessels now run in the South American trade, are owned and controlled primarily in the interests of merchants and manufacturers of Europe.

OUR FARMERS THE VICTIMS.

As it happens, the exactions of the European steamship monopoly in our Brazilian commerce fall most heavily on the wheat farmers and millers of our Northwestern States. The Brazilian Review, a semi-official organ, states that the Brazilian imports of American flour decreased from 526,846 barrels, valued at \$2,735,408, in 1902, to 337,740 barrels, valued at \$2,180,808, in 1904, while the imports from Argentina increased from 418,818 barrels, valued at \$1,898,165, to 1,001,701 barrels, valued at \$4,590,115. As the Brazilian Review says:

Argentine flour has entirely monopolized the South, Rio, and Santos, has driven the American article from Bahia and Victoria, and is already competing vigorously for the markets of Pernambuco.

American flour brings a higher price in Brazil than Argentine flour because of its better quality. The Brazilian Review attributes the falling off in the American flour trade with Brazil to the higher freight rates charged by this European steamship ring, which, of course, has no especial interest in increasing American commerce. Thus, while freight rates from Argentina on flour to Brazil have decreased in 1904 as compared with 1902, freight rates on flour from the United States, as the Brazilian Review shows, have actually increased. Indeed, the freight rates on flour from Austria-Hungary, which is imported in increasing quantities into Brazil, are much lower than on American flour from New York.

This decline in the sales of American flour to Brazil has been going on for a long time, and the cost of it has fallen on the shoulders of the farmers of Minnesota, the Dakotas, and the other wheat States of the Northwest and on the flouring mills of Minneapolis and other centers. Our total exports to Brazil have decreased from \$15,165,000 in 1895 to \$11,046,000 in 1904. Germany's exports to Brazil are now larger than ours, and Great Britain's more than twice as large.

This decline has not been passed unnoticed in Brazil, if it has among the lawmakers of America. Several years ago the Brazilian Government sent a distinguished officer of its navy to this country to bring

the facts to the attention of the authorities in Washington. This officer, Capt. J. Cordeiro da Graca, was authorized by his Government "to offer to any American company which would undertake the work a substantial subsidy for a line of direct communication between New York or Philadelphia and the Atlantic coast ports of Brazil." Captain da Graca, warned the American people that their communication with Brazil was now in the hands of European companies and that even the Brazilian coasting trade was in the hands of Germans, "the service of both kinds leaving much to be desired, both in respect to the rates charged and as regards efficiency." "The question of transportation between the two countries," Captain da Graca declared to be "the key to Brazilian commerce." "A line between the two countries," he added, "fed by the coasting service of the Brazilian Lloyd's, all being under the control of Americans, would prove to be a valuable investment to those directly interested and of inestimable advantage to American commerce in general."

Of course the Brazilian subsidy was conditional on the offer of an equal subsidy by the United States. None was forthcoming. The foreign ring was allowed by Congress to continue to monopolize the Brazilian shipping trade, and the farmers of Minnesota and the Dakotas and the millers of the northwestern cities were year by year crowded more and more out of the Brazilian market.

WORDS OF OFFICIAL WARNING.

This deliberate sacrifice of American export trade amounting now to millions of dollars was not the fault of American official representatives in Brazil. Year after year they have sent their appeals and warnings to Washington. In his annual report of the year 1904, Mr. Henry W. Furniss, American consul at Bahia, said:

I have to reiterate my oft-repeated report of the need for an American steamship line. The mail service between the United States and this section of Brazil during the year just past has become much worse than heretofore, due to the withdrawal of one or two monthly boats. As a result of the cargo offering here for the United States and the frequent call of vessels to get it, coupled with the fact that Brazil requires all steamers to take mail, there have been frequent calls of vessels to get mails from here, but there is only one regular boat bringing mails from New York. Between times, letters are sent hither from New York by various roundabout ways. This has virtually paralyzed the mail service. For this reason it is frequently the case that mail sent from New York in the middle of a month arrives here days after the mail leaving New York on the first of the ensuing month. This causes great prejudice to business, as the mails arriving last often have bills of lading and custom-house documents for goods arriving by the prior steamer, necessitating extra expense, vexatious delays, and great trouble to withdraw from the custom-house here, which seriously hurts our trade.

It is impossible to maintain trade without frequent and rapid mail service. With the lack of this to contend with and the high freight charges out of New York, it is not to be wondered at that year by year our trade with this section is growing less, while the balance of trade in favor of Brazil is increasing. The present lines from New York seem to prefer high freight and little business, and make up by sending their vessels on a triangular course, viz, from Brazil to the United States, from the United States to Europe, and then from Europe, with European goods, to Brazil, with only a few vessels going and coming between Brazil and the United States direct. The German steamship lines are making preparations for an increased service with Brazil. With the aid given by these lines German trade has increased even more rapidly than ours is decreasing, and with the contemplated further increase in its fleet the outlook for German trade is even brighter than heretofore.

The manner in which the trade interests of the United States are made to suffer by reason of the inadequacy of the transportation service between this country and South American ports is nothing short of a crime which must be laid at the doors of

Congress. Religiously protecting our interests in every other way, fostering and encouraging our manufacturers and developing home industries for domestic consumption, it makes no provision for markets for surplus products, and thus paves the way for future industrial stagnation. In the meantime other countries reap the benefits of the trade demands of these nations by establishing steamship lines and commercial agencies in every important city. Is it any wonder that Mr. Lincoln Hutchinson, who is now in Brazil making a study of the conditions there, exclaims: "The mass of the people scarcely know that such a country as the United States exists!"

THE FOREIGN MONOPOLISTS.

This vigorous admonition was further emphasized by a merchant in New York familiar with the Brazilian trade in a letter of August 19, 1905, to the New York Journal of Commerce:

I beg leave to call your attention to the very important fact, evidently overlooked by Special Agent Hutchinson and Consul Furniss, that merchants dealing with Brazil have valid and just causes for complaint owing to the fact that all the steam transportation companies carrying freight between United States ports and Brazil formed a combination some years ago, and as they monopolize the trade their rates of freight are so high as to be prejudicial to the business interests of those who are unfortunately obliged to patronize these companies.

Any independent merchant in this city (New York) or in Brazil—whether importer or exporter—knows that the Lamport & Holt, Prince and Slocum lines, plying between this and Brazilian ports, from Pernambuco southward, exact exorbitantly high rates of freight on merchandise carried either way. In the coffee trade it is a well-known fact that these monopolists, notably Lamport & Holt, discriminate in favor of some of the large importers of coffee by making them substantial concessions in freight, which, of course, is detrimental to the smaller importers. This disgraceful state of affairs certainly calls for a drastic remedy. As a merchant and shipper long connected with Brazil I most heartily and unqualifiedly indorse Consul Furniss's recommendation concerning the need for an American steamship line between the United States and Brazil. Practically the entire trade between the United States and Amazon ports and Maranhão and Ceará is monopolized by the Booth Steamship Company of Liverpool, which, owing to arrangements concluded with other steamship companies, dictate rates, conditions, etc., to suit itself, but always at the expense of the interests of this country. I hope the consul's appeal will result in the establishment of a new line of steamers, which I am positive would speedily secure a very large share of the business between this country and Brazil.

OUR TRADE WITH ARGENTINA.

Another great South American country which ought to furnish a large and expanding market for American goods is Argentina, whose total foreign commerce has increased with wonderful rapidity from \$113,000,000 in 1881 to \$451,000,000 in 1904. But our share of this is only about \$25,000,000. The main cause of this beggarly showing is the same as in our Brazilian commerce—in the main the lack of regular, adequate shipping facilities controlled by Americans in American interests. There are now running from New York to the River Plata several so-called "steamship lines," owned and managed by foreigners, under foreign flags, the vessels being in general older, slower, and inferior in every way to the ships trading between the River Plata ports and Europe. Hon. John Barrett, formerly minister to Argentina, stated before the Merchant Marine Commission at Chicago in 1904 that the share of the United States in the Argentine trade when he was at Buenos Aires was only \$24,000,000. "There is no valid reason except that of insufficient steamship relations," declared Mr. Barrett, "why our trade with Argentina should not become \$50,000,000 per annum instead of the present low figure." And he added:

Coming now to the direct point in hand, it is my opinion, supported by nearly all the authorities I consulted in South America, that at least a monthly line of steamers, carrying mails and passengers and having the freight facilities characteristic of such

vessels, should be established with its terminal points at New York in the United States and Buenos Aires in Argentina. At present there is no through mail, passenger, and fast service between these two ports. There are freight steamers leaving New York every week for Argentina, but they are slow and unsuited for mails, passengers, and fast freight or express.

Mr. Barrett also said:

There are six first-class mail and passenger steamship lines between Buenos Aires and European ports, so that it is possible for mails, passengers, and important or perishable freight to be dispatched at the rate of a steamer and a half a week, and I think in another two weeks there will be another line; but I wish to make a conservative statement, and I therefore say six.

I wish especially to call your attention to this point, and you business men who are here can realize its importance. The business men of Buenos Aires can write to Europe and receive a reply easily in fifty days. It is very seldom that they can ever communicate with New York and Chicago and get an answer in less than eighty days. Any one who is familiar with business methods and the importance of good exchange realizes what a handicap this is to the extension of American commerce. I have heard scores of South American merchants and bankers complain of the wretched mail arrangements between the United States and Argentina. If there were direct and regular service between Buenos Aires and New York, there is no doubt in my mind that four-fifths of the South Americans who travel to the Northern Hemisphere on either business or pleasure would come or return via the United States.

NATIONAL AID NECESSARY AT FIRST.

That with this great need of steamship communication no direct line was established, Minister Barrett explained thus:

The principal reason that we do not have direct steamship communication now of the class which I mention is that no company is willing to undertake it as an experiment or venture unless they can receive a compensation for carrying the mails, which will insure them against primary or temporary loss. I have talked with leading steamship men in Buenos Aires, Paris, Hamburg, and London, as well as in New York, and they have all told me that it would be impossible to initiate a great and important undertaking of this kind unless they could receive sufficient support from the United States and the South American Republic to protect them while they were building up sufficient travel to maintain the line on a paying basis.

I wish to explain a little in regard to this point. The question arises, if the business is there why do not men go into it? Let me remind you that Europe has become established in this trade in the first place, and that she controls it at the present time. All the steamship lines that undertake this business are European steamship lines, and wishing to build up the trade with Europe rather than with America they form combinations and use their influence against the establishment of American lines. You see that in the agreement of the Lamport & Holt Line, which runs a line of passenger to Rio, but does not go on to Buenos Aires. Because of an agreement with the Royal Mail Steamship Company of England they agree that they will not run their passenger steamers farther than Rio, and yet I was informed in New York and Philadelphia that an American company was already organized that would be willing to undertake to put on a line of steamers between New York and Buenos Aires provided they could receive enough money for carrying the mails to insure them against loss while they were establishing a regular trade and traffic.

THE TRADE WITH URUGUAY.

In reply to an inquiry from the chairman of the Merchant Marine Commission, Senator Gallinger, Mr. Barrett stated that all the first-class European steamship lines out to Buenos Aires received a subvention of some kind and that the head of the British Royal Mail Company had informed him that "they could not have established themselves if it had not been for the assistance that they received from the English Government."

What is true of our trade with Argentina and the causes which hamper it is true also of our trade with Uruguay. The American consul at the great port of Montevideo says:

I am frequently asked by American inquirers whether or not there is any prejudice against American products in this country. My answer is that there is no prejudice against them, but that on the contrary they are in favor and rather preferred when known. But it must be remembered that American manufactured goods of all classes, in this country particularly, are offered for sale by men not Americans—men who have no interest in our country or in its products except as they may obtain a profit from the sale of them.

The same people who push our merchandise aside and force that of other nations to the front push our country aside and say that while we are a great producing nation we have no facilities for marketing our products. Here we are forced to silence. The records show that during the fiscal year ending June 30, 1905, there were exported from this country to the United States goods to the value of \$3,998,175 in American gold and that not one dollar's worth of this amount left this port on an American vessel. Of the imports to this country from the United States during the same period, estimated at \$2,500,000, but two cargoes, each with less than 1,000,000 feet of lumber, came in American sailing vessels. The great bulk of the exports from and imports to the United States, so far, at least, as Uruguay is concerned, is carried in foreign ships. Only a few days ago the Government of Argentina passed a law granting a subsidy amounting to about \$56,000, gold, monthly for a term of ten years, available to two steamship lines plying between that country and Europe, all because the people of Europe are energetic and looking to their own best interests. My remedy for all this is—

1. Establish a line of American steamships for passengers, freight, and mail between New York and the river Plata (the mail received October 6 was posted at New York September 2) and in that way make this great market within easy reach of ours, and provide the American people with a more rapid and easy means of communication with this portion of this continent, of which most of our people know so little.

2. Send there good American agents with business training and experience. Let them establish permanent houses and give these people to understand that they are here to cater to their wants and to supply them.

ARGENTINA'S NEW SUBSIDY.

It will be noted that our consul at Montevideo refers to an offer of a subsidy of \$56,000 gold a month for two lines from Buenos Aires to Europe. These steamers are to be run under the Argentine flag, will carry naval reserve men of the Argentine navy, and will be held at the disposal of the Government in war. In a report explaining the details of this Argentine subsidy, Mr. A. M. Beaupré, our present Minister to Argentina, says:

During the agitation and discussion of the past two months that have attended these measures the question of the United States and of the existing service between its ports and those of this great Republic has been raised. The press has evinced some surprise that the American ports were not included. It has been asked: Is nothing to be done to improve the service, or rather to establish a service, with the ports of the north? But these questions have remained unanswered because the Americans are few in number here, the American manufacturers intrusting their interests mainly to European agents, whose interests are at least divided. There are, however, important reasons as it seems to me and I believe to every American who knows this east coast of South America, for the establishment of regular and rapid and comfortable communication with the ports of North America.

It is an easy matter for merchants in any part of the world to get their goods nowadays. The harbors of the world are full of craft that have had to "lay up" for lack of freights, and steamers of good capacity and indifferent speed ply into every port and corner of the world. The merchants of South America will therefore readily and truthfully answer—and the more readily if they are European, as the most of them are—that they have no difficulty in getting their merchandise out from the United States, and that the facilities are abundant. They are abundant, it is true, but not so abundant in proportion to the trade done as the facilities for getting

goods from Europe. And yet the Argentine Government is planning to give outright three-quarters of a million dollars gold per annum to secure an improvement in the already rapid European service.

The main advantage of a fast service is not so much in the quick and regular delivery of merchandise; the greater advantage is that it brings the producer and consumer, the factory and the market, closer together. It carries the buyer to the source of supplies, enables him to buy in person of the producer and not from samples in the hands of indifferent or incompetent agents. In short, with rapid and comfortable means of communication the Argentines would readily visit the United States, would soon come to know the extent and value of its production, and would seek its many articles of superior quality. The Argentines are well disposed toward American goods; they are without exception interested in the United States and express the desire to visit them. At present the United States are a distant country because for comfort and speed one must first go to Europe—pass through the markets of Europe to reach them. Were fast communications established the American markets would be the nearest and Europe would be the distant country.

READY TO MEET THE UNITED STATES.

That this offer by Argentina of this large subsidy to new lines of steamships ignores the United States—for these lines are to run to continental ports of Europe—does not imply an unfriendliness on the part of the Argentine Government. The truth apparently is that the Argentine authorities regard the United States as not yet sufficiently enlightened and progressive to do its own part toward the establishment of a direct steamship service. For, some time ago, the Argentine Government sounded our own Government on this subject without any response. Minister Barrett declared in 1904 before the Merchant Marine Commission at Chicago:

I have now the further honor and pleasure to inform your commission that the Argentine Government has informally intimated to me that it stands ready to do its share in paying for this transportation of mails, which will enable a first-class line to be established, provided the United States will do its part. General Roca, the able President of Argentina, a man who stands in southern South America in just as much prominence as General Diaz does in Mexico, a man of great character and great influence, said to me, just before I was leaving Buenos Aires, that he and his countrymen maintained that the greatest possible influence which could be exerted for the building up and cementing of closer relations of friendship and commerce between the east coast of South America would be the putting on of a first-class mail, passenger, and fast-freight steamship line between New York and Buenos Aires which would also touch at such ports as Rio Janeiro, Bahia, Santos, and Montevideo.

In fact it is a constant source of surprise to South American statesmen and business men that the United States, with all its claims to greatness and progress, is not willing to take the initiative in a movement of such importance which South America is ready to follow with earnestness and with even enthusiasm.

If you will go back you will remember the first Pan-American conference which was held in Washington, presided over by Mr. Blaine. This appeals especially to me because I had the honor of being one of the delegates to the second Pan-American conference, held in Mexico. At that first conference the United States delegates recommended that a steamship line be established between New York and Buenos Aires, and that certain sums should be paid respectively and proportionately by the United States and Argentine Governments. Argentina carried out her part of the contract. Her Congress passed the law; the United States did nothing, and ever since they have been asking whether we were a people of our word or not.

Even if there is opposition in the United States to the granting of what are termed "subsidies," it would seem as if there ought to be no objection to paying a reasonable sum for carrying the mails, especially when Argentina, Brazil, and possibly other countries of that section stand ready to cooperate. The amount that the United States would find it necessary to appropriate for such facilities would be completely lost and forgotten in the increase of our trade with Argentina, Brazil, Uruguay, and Paraguay, which would result. In other words, for a few hundred thousand dollars per annum the United States would give the business interests of our country new and unrivaled opportunities for developing their trade to large proportions in a field which already has a commerce with the other world of nearly \$800,000,000, but where the share of the United States is now less than \$100,000,000.

THE PRESIDENT'S VIEW.

President Roosevelt was familiar with these significant facts when he wrote in his message to Congress, December 5, 1905:

To the spread of our trade in peace and the defense of our flag in war a great and prosperous merchant marine is indispensable. We should have ships of our own and seamen of our own to convey our goods to neutral markets, and in case of need to reenforce our battle line. It can not but be a source of regret and uneasiness to us that the lines of communication with our sister republics of South America should be chiefly under foreign control. It is not a good thing that American merchants and manufacturers should have to send their goods and letters to South America via Europe if they wish security and dispatch. Even on the Pacific, where our ships have held their own better than on the Atlantic, our merchant flag is now threatened through the liberal aid bestowed by other governments on their own steam lines. I ask your earnest consideration of the report with which the Merchant Marine Commission has followed its long and careful inquiry.

The bill of the Merchant Marine Commission, as has been said, acts directly on such recommendations as these, providing one line fortnightly from an Atlantic port to Brazil, with a mail subvention of \$300,000 per year; one line fortnightly from an Atlantic port to Argentina, with a mail subvention of \$375,000; one line fortnightly from a Gulf port to Brazil, with a mail subvention of \$275,000, and in the Pacific, one line fortnightly from a Pacific port to the Isthmus of Panama, with a mail subvention of \$120,000—these, besides a line from a Gulf port to Cuba, with \$75,000 for a semiweekly service; a line from a Gulf port to the Isthmus of Panama, with \$75,000 for a weekly service, and a line from a Gulf port to Mexico, with \$50,000 for a weekly service.

Value of imports and exports in the trade between the United States and the Republics of Argentina, Brazil, Paraguay, and Uruguay during the fiscal year ending June 30, 1904.

EXPORTS.

| To— | Steam vessels. | | Sailing vessels. | |
|----------------|----------------------|---------------------|----------------------|---------------------|
| | In American vessels. | In foreign vessels. | In American vessels. | In foreign vessels. |
| Argentina..... | | \$14,988,274 | \$140,779 | \$16,730,157 |
| Brazil..... | \$19,845 | 9,850,464 | 273,818 | 10,955,546 |
| Paraguay..... | 2,009 | 19,324 | ..... | 21,333 |
| Uruguay..... | | 1,670,247 | 3,757 | 456,041 |

IMPORTS.

| From— | Steam vessels. | | Sailing vessels. | |
|----------------|----------------------|---------------------|----------------------|---------------------|
| | In American vessels. | In foreign vessels. | In American vessels. | In foreign vessels. |
| Argentina..... | \$18,683 | \$5,537,296 | \$1,111,041 | \$3,168,141 |
| Brazil..... | 91,715 | 74,676,556 | 1,151,504 | 230,495 |
| Paraguay..... | | 17,842 | ..... | 416 |
| Uruguay..... | 32,907 | 815,206 | 11,254 | 785,046 |

PHILIPPINE TRADE.

American steamers engaged in the trade between the Philippines and the United States during the year ending June 30, 1905.

FROM THE PACIFIC COAST.

| | Gross tons. |
|-----------------------------|---------------|
| Three voyages, nine months: | |
| Lyra | 4,417 |
| Tremont | 9,606 |
| Total | <u>14,023</u> |
| Two voyages, six months: | |
| Siberia | 11,284 |
| Hyades | 3,753 |
| Korea | 11,276 |
| Mongolia | 13,638 |
| Pleiades | 3,753 |
| Manchuria | 13,638 |
| Total | <u>57,342</u> |
| One voyage, three months: | |
| Shawmut | 9,606 |
| China | 5,060 |
| Total | <u>14,666</u> |

FROM THE ATLANTIC COAST.

| | |
|-------------------------|---------------|
| One voyage, six months: | |
| Missouri | 7,914 |
| Mississippi | 7,913 |
| Lewis Luckenbach | 3,905 |
| Total | <u>19,732</u> |

American sail vessels in the Philippine trade are not separately reported, but they are a relatively small factor, steam vessels heavily predominating.

The 14,023 tons of steamers engaged for nine months in the Philippine trade would earn under this bill \$72,919 in subventions; the 77,074 tons of steamers engaged for six months would earn \$250,490—a total of \$323,409.

The 14,666 tons of steamers engaged for three months in the Philippine trade would receive nothing.

Seven of these American steamers, including all of the largest in the list, would be eligible for the mail service under this bill, and receiving this mail pay could not earn the general cargo subvention.

DISCRIMINATING DUTIES.

The historic policy of discriminating duties which the United States maintained in full to 1815 and in part as late as 1828 and even 1849, occupied so large a place in the inquiry of the Merchant Marine Commission that it is well to make at once a frank explanation why a return to this policy at the present time has not seemed wise to a majority of the Commission.

It is probable that when the Commission was appointed a majority of those Senators and Representatives composing it who had positive views favored another trial of the discriminating duty policy, and believed that that course would be recommended to Congress. Moreover, from the very beginning of the inquiry, powerful arguments for the discriminating duty plan were advanced, especially by the Maritime Association of the Port of New York, the largest shipping trade organization in America. This policy of the fathers of the Republic, as it was well described, was ably advocated not only by many practical shipowners and shipbuilders, but by many manufacturers and merchants—usually, however, in connection with the policy of mail subventions to regular lines, which may be said to have met with almost unanimous support in every section of the country.

TREATIES IN THE WAY.

These arguments had a very great effect upon the Commission, but at the same time some very serious objections were disclosed in the radical difference of mercantile conditions between the first half of the nineteenth century and the first decade of the twentieth century. In the first place, there were the thirty commercial treaties with foreign governments—the very foundation of our modern commercial relations—which prohibit both discriminating custom duties and discriminating tonnage dues. These treaties of course could be abrogated, but notice of this would have to be given a year in advance, and new treaties without a discriminating duty clause negotiated on terms as favorable as before. This, manifestly, would be a difficult though not an impossible undertaking.

THE RISK OF RETALIATION.

Far more serious than the abrogation and renegotiation of thirty commercial treaties would be the almost certain retaliation of foreign governments. It is true that if they retaliated only against our shipping they could not do much harm, for an American vessel, even direct from the United States, is seldom seen now in European waters. But these foreign governments would probably shape their retaliation where it would hurt and be effective—against our export trade in general—by discriminating duties on the products of our agriculture and our manufactures.

Indeed, certain important commercial associations of the central West, while strongly favoring the development of the merchant marine, sent to the Commission a formal remonstrance against the adoption of the discriminating duty policy because of the danger of foreign retaliation that would be provoked by it against the export trade of the United States. In this connection the fact is worth considering that in the years from 1789 onward, when the discriminating duty policy was practiced with so much success, the United States imported far more than it exported, so that discriminating duties were applicable to the larger part of our foreign trade, while now the United States exports very much more in both bulk and value than it imports, so that not only would discriminating duties be less effective for the encouragement of American shipping, but foreign retaliation would be far easier and more injurious.

ABOLISHING THE FREE LIST.

But the weightiest of all objections to a return to the discriminating duty plan is neither the treaties nor retaliation, but the fact that in order to apply these duties for the adequate encouragement of the merchant marine, the free list of the tariff, covering almost half of the foreign commodities we purchase and consume, would have to be abolished. It is safe to say that this consideration counted more heavily than any other in bringing the majority of the Commission reluctantly to the conclusion that discriminating duties could not now be invoked for the object we all desire—the rehabilitation of the American merchant marine in foreign trade.

NEARLY HALF IN VALUE NOW FREE.

In the fiscal year 1903, 43 per cent; in 1904, 47 per cent, and in 1905, 46 per cent of our entire imports came in free of customs duty. This is in value; in bulk, inasmuch as these free imports were largely foods and raw materials, probably 60 or 70 per cent were free. In other words, unless the free list were abolished, discriminating duties could be applied to the encouragement of not more than 30 or 40 per cent of American shipping engaged in general foreign trade.

On the other hand, if the free list were abolished, and these free articles made dutiable, the result would be an increase in the cost of certain foods of the American people and certain crude materials of their manufacturing, for those free articles are, as a rule, noncompetitive products, chiefly from tropical countries, which can not, even under a duty, be produced in the United States. In 1789 and afterwards, when discriminating duties were so successfully applied for the encouragement of our shipping, nearly all imports were dutiable and such a thing as a free list was scarcely known to our own or any other government.

THE INDIRECT TRADE.

There are strong political as well as commercial reasons why, if we are to have any American ships at all, we should have them in the trade with our sister republics of this continent, and the great neutral markets of Asia. In fact, the specific form in which discriminating duties have been most often and earnestly advocated before the Commission has been as applying to the so-called "indirect trade"—that is, not against a British vessel bringing British goods, or a German

vessel with a cargo from a German port, but against European craft that seek to invade our carrying trade with Brazil or China or other neutral nations. It has been urged that discriminating duties in this indirect trade would not be so likely to provoke European retaliation as if the duties were imposed against British or German ships bringing goods of their own country. And it has been urged also that discrimination in the indirect trade, while arousing the least possible resentment, would give our vessels entire control of our trade with the non-shipowning peoples of South America and the Orient.

A LARGER PART FREE.

Unfortunately, however, it is this very trade with South America and the Orient that can not be gained for American ships unless the free list is abolished, for most of the products of those southern and eastern countries are now and long have been nondutiable in the ports of the United States. Thus, when the Commission looked into this question it found that 98 per cent of our imports from Brazil, 96 per cent from Chili, 81 per cent from Colombia, 80 per cent from Venezuela, 82 per cent from Ecuador, or 82 per cent of all our imports from South America and 94 per cent from Central America were absolutely free of duty. In our import trade with China 50 per cent, with Japan 64 per cent, and with India 69 per cent are free of duty. Unless the free list were abolished discriminating duties could not adequately encourage American shipping to engage more largely in commerce with the republics to the south of us and the great markets of the Orient.

If conditions were everywhere as they are with our trade in Europe, where the free imports represent 28 per cent, or our trade with Cuba, whence we import chiefly sugar and tobacco and only 17 per cent of our purchases are on the free list, discriminating duties could be effectively applied for aid to American shipping. But the long series of public hearings before the Commission has made it unmistakable that the American people desire American ships, not only in our Cuban trade, but also and especially in our trade with South America and the Far East. Discriminating duties would not give us American ships in these important trades unless the free list were abolished, and here is the most urgent of the several reasons why the discriminating-duty policy has not been recommended by the majority of the Commission. The plan of mail and other subventions embodied in the bill of the Commission was finally adopted because it is both more equitable and more effective.

EITHER PLAN WILL COST.

These subventions will cost something. So, too, would it cost something to apply discriminating duties by the method suggested of reducing the duties on goods imported in American vessels. In either case it is necessary, in order to make this encouragement of shipping adequate and effective, to equalize the difference in wages and cost of construction between American and foreign ships, and in some cases to offset foreign subsidies. American ships in order to reach an equality of conditions must either receive a certain sum in subvention or retain an equivalent from the reduced duty in the form of higher freight rates.

In the long run, it is likely to be found that the subvention plan will involve the less actual cost to the Treasury.

PROPOSED OCEAN MAIL LINES.

In planning the new contract mail routes proposed in this bill the Merchant Marine Commission endeavored, first, to provide special shipping facilities to countries with which our present communication is most inadequate; and, second, to distribute these new shipping facilities as fairly as possible with regard to the interests of all the various sections of the United States.

For instance, it seemed desirable to have a weekly mail steamship service to Brazil, the greatest country in South America. The principal British steamship line to the West Indies and South America was established many years ago with a subsidy of \$1,200,000; afterwards increased to \$1,300,000, and then decreased as the line grew in strength to \$400,000. It seemed probable that at least \$600,000 would be required to start a weekly American steamship line to Rio de Janeiro. But instead of proposing that this subvention of \$600,000 should all go to one port, presumably New York, and to one company, the Merchant Marine Commission divided the service into two parts, proposing a fortnightly service from an Atlantic port for \$300,000 a year and a fortnightly service from a port on the Gulf of Mexico for \$275,000. These two lines, alternating in their sailings, would provide a weekly mail service to Brazil, but the direct benefits of the service are thus distributed between two ports and among different sections of the country.

Our present aggregate commerce—the total of both imports and exports—is much less with South Africa and Argentina than with Brazil, so that one fortnightly line each to South Africa and Argentina seems to be sufficient, a separate line to Argentina being justified by the present and still more, it is hoped, by the future of the traffic, and by the fact that such slow foreign steamships as now go out from the Atlantic coast to Argentina usually go direct. Stopping at all the Brazilian ports on the way, would occasion too much loss of time for a really prompt and regular steamship service.

There is already a regular American steamship service from New York weekly to Cuba and weekly to Mexico, the Ward Line operating several fast and capacious steamers, and receiving a mail subvention of about \$200,000 annually, under the Postal Aid Act of 1891. Therefore, the Merchant Marine Commission made no recommendation for additional service out of a North Atlantic port, but proposed lines from Southern ports to Cuba, a semiweekly service over this short distance with a subvention of \$125,000 a year, and a weekly service from a Gulf port to Mexico with a subvention of \$50,000 a year.

There is an existing line from New York to Colon on the Isthmus of Panama, once owned by the Panama Railroad, and now owned and operated on a more extensive scale by the United States Government. Therefore, the additional line or lines to the Isthmus proposed in this bill are required to start from a Gulf port or ports weekly, with a subvention of \$75,000 a year.

TWO DISTINCT GROUPS.

These ocean mail lines now existing and those proposed by the Commission constitute two separate and competing groups of ocean shipping facilities to the West Indies, Mexico, the Isthmus of Panama, and South America, offering to the farmers and other producers of the Middle Western States the choice of two routes by rail and steamship for their flour, provisions, and manufactured goods destined for the markets of Latin America. Rivalry between these two systems of railroads and steamships is likely to be very strong and to assure favorable rates and a highly efficient service. If only one line or one group of lines were provided, this would almost inevitably go to the great port of New York, but this bill, by dividing the lines and subventions, makes it mandatory that there shall be different and competing routes, and that the direct benefits of this aid from the National Treasury shall be widely distributed to the especial advantage of the great producing and exporting States of the Upper Mississippi Valley.

Moreover, the Merchant Marine Commission, as it stated in its report a year ago to Congress, believed that the Gulf region is large and important enough to have shipping facilities of its own, on its own account, independently of New York and the North Atlantic seaboard. That report of last year said:

FOUR NEW GULF ROUTES.

Three of the ten new mail-steamship lines proposed are to have their origin on the Atlantic coast; four of the ten on the Gulf of Mexico. The Commission thoroughly believes that this liberal recognition of the Gulf ports is demanded by their present, and still more by their future, commercial importance. Galveston, New Orleans, Pensacola, Mobile, and the other commercial cities of that great coast line have excellent harbors, steadily improving rail connections, and behind them the productive wealth of the Mississippi Valley and the mighty Southwest. These Gulf ports ought, in all national equity, to have an American steamship line of their own to South America. They ought to have their own connections under the United States flag with Mexico and the West Indian archipelago. They are assured of these new steamship services through the specified mail routes of the proposed bill, and they will be enabled to create other commercial lines and to launch and run individual ships under the broader terms of the naval subventions.

THE GULF'S GREAT OPPORTUNITY.

In spite of climatic advantages, and the nearness of timber, iron, and coal, there is not to-day one large modern shipyard on the whole range of the Gulf of Mexico. The foreign vessels that now convey the commerce of Galveston, New Orleans, Pensacola, and Mobile are built abroad, repaired abroad, manned abroad, supplied abroad. Even the few of these foreign vessels which American capital owns employ almost no American labor.

This proposed legislation, in its mail and naval subvention sections, gives the Gulf States assurance of a new and important industry, absolutely essential to them if they are to realize to the full the magnificent advantages opened by the great Isthmian Canal. Under this proposed legislation, the Gulf cities can build their own ships, officer and largely man them—thus giving their boys a new field of employment—repair their own ships and supply them with their own materials, and thus keep at home all the profits of their ocean trade that now go over the sea to Liverpool, London, Hamburg, Bremen, Havre, Marseille, Trieste, and Genoa.

The Isthmian Canal, built by American money, will bring not pride, but humiliation, to the American people if it floats, in foreign commerce, only foreign and no American ships.

PACIFIC LINES.

The same principle of dividing the subventions, creating rival lines, and thus assuring competition whenever possible, has been followed by the Commission in dealing with the great trade of the Pacific. Instead of proposing the immense subvention that would be required for a weekly mail service, say from San Francisco to Japan, China, and the Philippines—the kind of imperial service for which Great Britain pays \$1,600,000 a year to the Peninsular and Oriental Steamship Company—the bill of the Commission provides for two lines, one to the Orient via Hawaii fortnightly, with a subvention of \$600,000 a year, and one to the Orient direct fortnightly, with somewhat less speed and a subvention of \$420,000. These two lines, alternating in the sailing of their steamers, will furnish a weekly service from the Pacific coast.

One line presumably would start from San Francisco, one from a North Pacific port, thus guaranteeing alternative routes by railroad and steamship to the Orient.

There is not yet enough commerce to justify two competing mail lines from the Pacific coast to Australasia, or to the Isthmus of Panama, and therefore only one line is provided for, as in the Atlantic to South Africa, and to Argentina. But whenever it was practicable to do so, different and competing ocean mail lines have been deliberately planned for in sections 5 and 6 of the proposed bill, in order to secure the best rates and the best service, and to distribute widely the advantages of the proposed legislation.

Everyone of these ocean mail lines follows a natural trade route. Not one American steamship is now running on anyone of the first seven or eight mail routes described in section six, in the Atlantic and the Gulf of Mexico.

These, if established, will be absolutely new lines, and nearly all of the ships required for them will have to be constructed in American shipyards. It will require at least three years to complete such a fleet. But for temporary use, in partially starting a few lines, a few ships, a very few, might perhaps be drawn from the coasting trade. "Tramp" steamers would not be suitable for these mail lines. These Atlantic and Gulf lines will require more than thirty new steamers of from 2,000 to upward of 5,000 tons.

On the route via Hawaii to the Orient there are now running four or five American steamers of the Pacific Mail Company in conjunction with two or three British steamers under the same management. These ships go fortnightly to Japan and China, but only infrequently to the Philippines. This bill would compel every voyage to be extended to Manila, thus requiring additional tonnage and increased expenditure.

If the Pacific Mail Company should secure the contract, it would have to replace the British vessels with American and build at least three new American ships of the largest size and highest speed in the Pacific Ocean, of much value as transports in conveying troops to the Philippines, or as auxiliary cruisers.

The Pacific Mail ships now convey the bulk of our Oriental mails for a compensation by weight of from \$50,000 to \$80,000 a year. Three Japanese steamers of the Toyo Kisen Kaisha, running parallel and competing with the Pacific Mail steamers between San Francisco and Yokohama and Hongkong, much smaller ships of inferior speed,

receive a mail subsidy of from \$500,000 to \$600,000 a year from their Government. The competing British line from Vancouver to Yokohama and Hongkong—three steamers of half the size of the great American ships—receives a mail subsidy of \$300,000.

In compensation for the increase of mail subsidy for an American Pacific line the United States would receive:

1. The construction in American shipyards and the use as mail carriers, transports, and auxiliary cruisers of at least three great steamships, presumably of more than 10,000 tons and of a speed of 16 knots or upwards—presumably the best ships in the Pacific Ocean.

2. A regular fortnightly, instead of an irregular and infrequent mail, passenger, and freight service via Hawaii, not only as now to Japan and China but to the American port of Manila in the Philippines.

3. The gradual displacement of the present Asiatic crews of the Pacific lines by white men. At the hearing before the Merchant Marine Commission in San Francisco the general manager of the Pacific Mail presented a carefully detailed statement showing that to substitute white men entirely for Asiatics on his trans-Pacific liners would cost, in increased wages and maintenance, \$436,000 a year—more than two-thirds of the entire amount of the proposed mail subventions. At first one-eighth, afterwards one-sixth, and finally one-fourth of the crews of these Pacific liners, under the terms of this bill, would have to be naval reserve men, and under the terms of the postal aid law of 1891, which would apply to the contract, for the first two years one-fourth, for the next three years one-third, and thereafter one-half of the crews of these Pacific liners would have to be American citizens. Now only the few licensed officers need be American citizens.

As to the route from a North Pacific port direct to Japan, China, and the Philippines, there are now four American steamers of suitable speed running from Puget Sound to the Orient, receiving a few thousand dollars of mail pay and competing directly with a Japanese line of three smaller steamers of the Nippon Yusen Kaisha which receive a subsidy of \$330,000 from their Government and a British line out of Vancouver, a few miles northward, which receives \$300,000. The president of the Boston Steamship Company, owning two of these four American vessels, has testified before committees of Congress that unless his Government comes to his relief he must surrender and quit the route. The other two American ships are the great vessels of Mr. James J. Hill, who testified before the Merchant Marine Commission that under present conditions he should never build another ship in the United States. The continuance of at least two of the four American steamers now running to the Orient out of Puget Sound depends entirely on the passage of this bill or an equivalent.

To comply with the requirements of this bill on this route, at least 7 steamers would be needed, and thus at least 3 new ships would have to be constructed in American yards of a size and type valuable as transports in time of war. These 4 American, Puget Sound ships, now carry Asiatic crews. Under the mail contract they would gradually have to replace them by white men, an increasing proportion of whom must be naval-reserve men and American citizens. White men and Chinese will not work together on deck or in firerooms. And to change from Asiatics to white men means to change the entire crew, except perhaps the waiters and other servants.

There is only one route under this bill where there can be said to be a complete existing line—the route from San Francisco via Hawaii to

Samoa, New Zealand, and Australia. But the three 6,000 16-knot ships performing this service are barely sufficient for this purpose and it is understood that the Oceanic Company will build at least one more ship if its compensation is increased as proposed in this bill.

This is the only trans-Pacific line employing exclusively white crews, one-half of whom, by the terms of the postal-aid law of 1891, must be American citizens.

This line pays the highest wages in the world.

It performs the swiftest service of any line entering Australasia waters.

Its service is so swift and regular that it has been largely instrumental in increasing our exports to British Australasia from \$12,674,000 in 1896 to \$27,401,000 in 1904, Australian business men being enabled by this line to travel to and do business with the United States very much more easily than with Europe.

Though this American line, employing American crews, performs the swiftest and best mail service in the South Pacific, it receives a subvention at the rate of only \$16,659 a voyage, as compared with \$27,500 paid to the slower competing British line from British Columbia to Australia, \$21,917 to the slower Japanese line from Yokohama to Australia, \$41,604 to the slower North German Lloyd line to Australia, and \$47,814 to the slower French line to Australia, these foreign lines, as a rule, and also the two British lines to Australia being manned largely by Lascars or other Asiatics.

The Japanese are endeavoring to purchase the Oceanic steamers which are now run at a loss of several hundred thousand dollars a year, and the Oceanic Company states that the fate of this bill will determine whether these ships shall remain beneath the American flag. If they are sold to Japan it is practically certain that they will be taken wholly off the San Francisco route and put on the Japanese route from Yokohama to Australia. This would mean the absolute destruction of the American mail service to New Zealand and Australia, and our mails, freights, and passengers for those points would be dependent on the slower British line out of British Columbia. This would cost us a large part of the \$27,000,000 of export trade which has been laboriously built up with Australasia.

As to the route from a Pacific port to Mexico, Central America, and the Isthmus of Panama, a few rather old and slow American steamers of the Pacific Mail Company have been running for many years via coast ports to Panama. This line has been sustained by an exclusive privilege of through bills of lading over the Panama Railroad, which was equivalent to a subsidy. But when the Panama Railroad was bought by the United States Government, Secretary Taft canceled this exclusive privilege, so that the line is now without any protection or encouragement, and is exceedingly hard pressed by foreign competition. It has been stated that under these circumstances the line would probably succumb. It will be admitted by all that there ought to be at least one American steamship line between our Pacific ports and Panama. This provision for a subvention of \$120,000 in this bill would enable an American line to be maintained by the Pacific Mail or some other company. The present Pacific Mail ships to the Isthmus are relatively old and obsolete, and under the terms of the contract new ships would probably have to be constructed. These ships will carry naval reserve men and crews, with an increasing proportion of American citizens.

EXISTING OCEAN MAIL LINES UNDER ACT OF 1891.

The United States is now expending about \$1,400,000 a year in mail subventions under the postal-aid law of 1891 to six American steamship lines—four in the Atlantic and two in the Pacific ocean.

This law offers a maximum compensation of \$4 a mile on each outward voyage to steamers of 20 knots and not less than 8,000 gross tons; \$2 a mile to steamers of 16 knots and not less than 5,000 tons; \$1 a mile to steamers of 14 knots and not less than 2,500 tons, and 66½ cents a mile to steamers of 12 knots and not less than 1,500 tons.

These rates of compensation were much higher as the law was passed by the Senate, but were cut down one-third when the bill was passed by the House of Representatives. This crippled the effectiveness of the measure. The original Senate rate of subvention had been no more than sufficient to cover the difference in cost of steamship operation here and abroad. The House rate was insufficient as the Representatives were warned at the time, and the bill was passed in this form against the protests of the maritime interests, the prediction being made that very few lines would be established at the reduced compensation, and that there would be no American steamship service to South America or the Orient.

Fifteen years of waiting and experience have confirmed this prophecy, and demonstrated that the postal-aid law of 1891, as the House reduced it, was inadequate for the purpose for which it was designed. However, a few American lines have managed to gain headway even under the law of 1891.

AMERICAN LINE TO EUROPE.

Foremost of these is the one American line to Europe, composed of the 20-knot steamers *New York* and *Philadelphia*, built in Great Britain and given American registry by special act of Congress, and the *St. Paul* and *St. Louis*, built in the United States. When these four steamers began in 1895 to perform their weekly mail service from New York to Southampton at a maximum compensation of \$757,000 a year, they were the only fleet of 20-knot mail steamers on the North Atlantic, and they still perform the only regular 20-knot weekly service. These four steamers, all of which were utilized as "scouts" and cruisers in the Spanish war, owe their existence under the American flag to the postal-aid law of 1891.

| | Gross tons. | Speed. | | Gross tons. | Speed. |
|--------------------|----------------|---------------|-----------------|----------------|---------------|
| | | <i>Knots.</i> | | | <i>Knots.</i> |
| New York | 10, 798 | 20 | St. Louis | 11, 629 | 20 |
| Philadelphia | 10, 786 | 20 | St. Paul | 11, 629 | 20 |

WARD LINE TO CUBA AND MEXICO.

Another American steamship line operating under the postal-aid law of 1891 is the Ward Line, or the service of the New York and Cuba Mail Steamship Company, from New York weekly to Havana and weekly to Mexico.

This line was in existence before 1891, but has since very greatly strengthened and expanded its service. It is now by far the largest American steamship company in foreign trade in the Atlantic Ocean.

Before the law was proposed, the Ward Line had 7 steamers, all but one of from 13 to 14 knots, and of from 2,255 to 2,820 tons gross register. Since then, because of the aid and encouragement afforded by a subvention of about \$200,000 a year, the Ward Line has added to its fleet 10 new steamers of from 14 to 18 knots, and of from 3,525 to 6,004 tons, and having sold 3 of these to the Government, is now building 4 steamers of 17 and 18 knots and approximately 7,000 tons. The Ward Line fleet of American steamers is as follows:

| | Gross tons. | Speed. | | Gross tons. | Speed. |
|-------------------------------|----------------|---------------|--------------------|----------------|---------------|
| | | <i>Knots.</i> | | | <i>Knots.</i> |
| Niagara | 2,255 | 13 | Seguranca | 4,033 | 14½ |
| Santiago | 2,359 | 13 | Monterey | 4,702 | 16 |
| Saratoga | 2,820 | 14½ | Esperanza | 4,702 | 16 |
| City of Washington | 2,683 | 15 | Morro Castle | 6,004 | 18 |
| Seneca | 2,729 | 14 | Merida | α 7,000 | 17 |
| Matanzas (freight only) | 3,094 | 12 | Mexico | α 7,000 | 17 |
| Yucatan | 3,525 | 14 | Habana | α 7,000 | 18 |
| Orizaba | 3,497 | 14 | Oriente | α 7,000 | 18 |
| Vigilancia | 4,115 | 14½ | | | |

α Approximately.

All but the first 6 ships of the Ward Line fleet were built to comply the postal aid law of 1891, the last 4 being now under construction at Philadelphia.

The Ward Line is the chief steamship company operating between the United States and Cuba and Mexico, and has done more to facilitate communication with Cuba than all other lines combined. About 35 per cent of our commerce with Cuba is carried in American vessels. Most of the foreign vessels in the Cuban trade are "tramp" steamers.

"RED D" LINE TO VENEZUELA.

The third American Atlantic steam line operating under the postal aid law of 1891 is the Red D Line, managed by Boulton, Bliss & Dallett, from New York weekly to Venezuela, receiving a subvention of about \$100,000 a year. This is the outgrowth of an old line of sail packets, and all of its present steamers were built in preparation for or to comply with the mail subvention, as follows:

| | Gross tons. | Speed. | | Gross tons. | Speed. |
|--------------------|----------------|---------------|-----------------|----------------|---------------|
| | | <i>Knots.</i> | | | <i>Knots.</i> |
| Caracas | 3,000 | 14 | Zulia | 1,800 | 12 |
| Philadelphia | 2,500 | 14 | Maracaibo | 1,800 | 12 |

The first two steamers touch at Porto Rico en route, and the line operates besides a small steamer, the *Merida*, of 520 tons, between Curaçao and Maracaibo. Political disturbances in Venezuela have seriously hampered the Red D Line, but it is a significant fact that the country to which these American steamers run is one of the two South American countries to which the United States sells more merchandise than any of its European competitors, the other being Colombia, connected with this country by two direct lines of American steamers, one in the Atlantic, one in the Pacific ocean. No American steamship line runs beyond Venezuela to any South American port.

ADMIRAL LINE TO JAMAICA.

Four steamers, built in 1898, run from Boston and Philadelphia to Jamaica under the postal aid law of 1891, and receive a subvention of about \$120,000 a year. They belong to the American Mail Steamship Company, and are under charter to the United Fruit Company. Four British steamers of a British line from England to Jamaica, established a few years ago, receive \$200,000 a year.

This Admiral Line, so called from the names of its ships, was created directly by the postal aid law of 1891. The fleet is as follows:

| | Gross tons. | Speed. | | Gross tons. | Speed. |
|------------------------|----------------|---------------|-----------------------|----------------|---------------|
| | | <i>Knots.</i> | | | <i>Knots.</i> |
| Admiral Dewey | 2,104 | 15 | Admiral Sampson | 2,104 | 15 |
| Admiral Farragut | 2,104 | 15 | Admiral Schley | 2,104 | 15 |

THE TWO PACIFIC LINES.

There are only two lines in the Pacific Ocean operating under the postal-aid law of 1891, both from San Francisco, and both controlled by the Oceanic Steamship Company.

The first line runs via Hawaii and Samoa to New Zealand and Australia. This is a service which used to be performed in part by American, in part by British, steamers of from 3,000 to 4,000 tons and 14 knots speed. But in December, 1901, the Oceanic Steamship Company began the present service under the act of 1891 with three 6,000 ton 16-knot steamers, newly constructed, increasing the number of voyages from thirteen to seventeen a year, reducing the time from twenty-four and three-fourths to twenty-one days, and performing the swiftest service in the South Seas.

But the Oceanic Company with its subvention of \$283,000 receives a smaller compensation than all but one of its European and Japanese competitors, though the American steamers employ white crews, while the other lines as a rule have Lascars or other Orientals. Under these circumstances the Oceanic Company has been losing heavily, and the proposed bill of the Merchant Marine Commission increases its subvention by \$217,000, making \$500,000 in all. This is the only addition made by the bill to the compensation of any contract mail line under the act of 1891, and it is understood that if the increase is granted at least one more large steamer will be built by the Oceanic Company.

This Oceanic line is the chief route of mail communication with Australia. In the four years since it was established our total Australasian trade has increased \$43,000,000.

A new contract lately concluded under the act of 1891 gives the Oceanic Steamship Company \$42,180 a year for ten voyages from San Francisco to Tahiti in 14-knot steamers. Previously this service had been performed for a special compensation of \$45,000.

The fleet of the Oceanic Steamship Company is as follows:

| | Gross tons. | Speed. | | Gross tons. | Speed. |
|-----------------|----------------|--------------|---------------|----------------|--------------|
| | | <i>Knots</i> | | | <i>Knots</i> |
| Australia | 2,755 | 14 | Sierra | 5,989 | 16 |
| Alameda | 3,158 | 14 | Sonoma | 6,253 | 16 |
| Mariposa | 3,158 | 14 | Ventura | 6,253 | 16 |

ALL "MERCHANT CRUISERS."

All of the steamers built since 1891 for mail routes under the postal-aid law of 1891 are required to be "constructed with particular reference to prompt and economical conversion into auxiliary naval cruisers, and according to plans and specifications to be agreed upon by and between the owners and the Secretary of the Navy." These ships "shall be of sufficient strength and stability to carry and sustain the working and operation of at least four effective rifle cannon of a caliber not less than 6 inches, and shall be of the highest rating known to maritime commerce."

Many of the "merchant cruisers" thus constructed were actually taken, armed, and employed in our fighting squadrons in the Spanish war of 1898, and two of these ships—the *Yumuri*, of the Ward Line (now the *Badger*), and the *Venezuela*, of the Red D Line (now the *Panther*)—were retained in the regular naval service, together with the cruisers *Dixie*, *Yankee*, *Yosemite*, *Prairie*, and *Buffalo*, formerly of the Southern Pacific Company.

SUBVENTIONS TO CARGO VESSELS.

Great Britain does not subsidize her "tramp" steamers and sail vessels, nor does Germany. However, when the British Government sixty years ago began to subsidize mail lines, the shipyards and engine works thereby created built not only mail liners but subsequently cargo steamers, which were soon found to be required in connection with mail lines to carry the bulkier and cheaper cargo in new trades developed by the subsidies. These mail subsidies of millions of dollars a year rapidly developed marine engine and iron shipbuilding and gave Great Britain at this critical transition period from sails to steam a long lead and great advantage over her competitors. Thus the "tramp" fleet of Great Britain, though not directly subsidized, is indirectly the beneficiary of the British subsidy system. The powerful insurance monopoly of Lloyd's by discriminating rates against, first, American sail vessels and then American steamers, helped greatly also to protect and encourage the British "tramp" fleet and to drive American cargo vessels off the ocean.

An American cargo fleet can not be created now without direct Government assistance. What is true of the effect of liberal mail subsidies on British "tramps" is true also of the "tramps" of Germany, which, though not subsidized themselves, are indirectly the beneficiaries of the liberal policy of encouragement to shipbuilding and navigation of the German Empire. German State railways haul materials at cost for German shipyards and grant preferential rates on goods exported by German steamers.

Other nations, however—France, Italy, Austria, and Japan—give subsidies direct to their "tramp" vessels, and Norway of late years has bestowed small rebates or bounties on their building.

The United States, unlike Great Britain and Germany, is a large exporter of crude bulky materials, and "tramp" vessels conveying bulky cargoes at low economical speed are relatively more important to us than to some other nations. Such commodities as lumber, raw cotton, grain, coal, and even flour and provisions require for their most economical transportation vessels of low or moderate speed. The lines of mail steamers provided for in this bill are to be of moderate speed, with large cargo capacity. But in connection with the mail steamer, a certain number of "tramp" or cargo vessels for the bulkiest commodities will prove indispensable. Lumber in large cargoes requiring a long time to load and unload, coal, grain, etc., can be conveyed most advantageously in vessels whose expenses are small and which do not have to sail at a certain hour and maintain a certain speed.

These cargo vessels, such as are provided for in sections 2 and 3, are especially valuable to the South Atlantic and Gulf ports of the United States for the export trade in lumber, cotton, coal, cattle, etc., the exports of New York, Boston, Philadelphia and other northern ports being conveyed more largely in regular liners. Moreover, the first

shipyards to be established in the South could more easily and profitably construct the relatively low-cost cargo vessel than mail liners, the price of which would be considerably greater per ton.

Finally the subventions to cargo vessels are open to all our people on the same terms, provided they fulfill the governmental requirement as to making their repairs in the United States, maintaining at an efficient rating, carrying naval reserves at sea, etc. There is one even rate of \$5 per gross ton per year for all vessels, steam and sail, of this description. No one owner can have an advantage over another owner. Everybody will start on even terms. The mail contracts are necessarily exclusive in their character, but the cargo subventions are free and fair to all, and they ought to encourage the development of a large class of shipowners, investors of moderate means. A cargo vessel can, of course, be built for much less money than a mail vessel, and whatever may be the practice of Great Britain and Germany, cargo subventions offered to all alike are a legitimate and necessary part of any plan for Government aid to the merchant marine in a democratic country like America.

Mail liners must sail on a fixed schedule from this country to a certain foreign port or ports. Cargo vessels can go where they please, wherever they are needed. They are not likely to go into the trans-Atlantic trade, which is conducted so largely by regular foreign liners, but rather into the trade with the West Indies, Mexico, Central America, South America, and the Orient, where present shipping facilities are most irregular and inadequate, supplementing the new American mail liners. A flexible tonnage of "tramp" vessels to be shifted from trade to trade as convenience requires is of specially great importance to the United States. It is not practicable nor desirable to confine these cargo vessels to fixed routes or regular trades, and no country giving subventions to cargo vessels attempts this. But it is probable that cargo vessels running under these subventions would go customarily to Latin America, the Orient, and Africa, and would enter the European trade only as foreign tonnage proved deficient or there was a temporary increase of rates.

SUBVENTIONS TO THE DEEP-SEA FISHERIES.

Great Britain pays retainer bounties to several hundred Newfoundland fishermen who are enrolled in the Royal naval reserve. France gives bounties to several thousand deep-sea fishermen. Germany gives bounties to her North Sea fishermen. Japan grants bounties to the fishermen all around her coasts and also to her vessels, and made good use of these hardy men in the recent war with Russia.

The calling of the deep-sea fisherman is such that he is very sure to be a notably strong and courageous fellow, inured to all the vicissitudes of the sea. And every nation possessing a navy values its ocean fishermen as peculiarly fit for naval service. A great many New England fishermen served in our warships in our war of 1812, the civil war, and the war with Spain. Now, however, deep-sea fisheries are not confined to the New England coast, but are pursued also from Gulf ports and in the North Pacific.

The United States gave bounties of from \$2.50 to \$4 per ton to fishing vessels of the deep-sea fleet from 1793 to 1807, and from 1813 to 1866, requiring three or four months' sea service. At the rate of nine months' service in the year, or \$4 per ton, under the proposed bill, the 50,000 tons of deep-sea fishery tonnage of the United States would require about \$200,000 a year, besides the naval retainers to the fishermen themselves. Canada now pays to her deep-sea fisheries bounties of \$160,000 annually, which go far to offset the protective duty on ocean fish imported into the United States, and have helped powerfully to increase the Canadian fishing industry.

RESOLUTIONS OF COMMERCIAL ASSOCIATIONS SPECIFICALLY INDORSING THE SHIPPING BILL OF THE MERCHANT MARINE COMMISSION.

NATIONAL BOARD OF TRADE.

January 18, 1905.

Whereas the American people are sprung from the greatest seafaring races of the world, and have most notably exemplified both by commerce and in war upon the sea the skill and courage of their ancestry; and

Whereas the great States of Ohio, Indiana, and Illinois have been largely developed by the railroad systems which were built by the concentrated capital that grew out of the seagoing foreign commerce of the people earned in the first half of the nineteenth century; and

Whereas the far West depends for its communications on transcontinental railways which were called into being by subsidies from the National Treasury; and

Whereas a Congressional Commission has, at large expense and with great patience and personal attention, spent months of time and thousands of miles of travel in examination of the causes of the disgraceful decay of American commerce, and as a product of their labor have proposed a remedy for this decay in Senate bill No. 6291, by which a threefold purpose may be obtained, which purpose is expressed, firstly, in the creation of a naval militia reserve; secondly, in the creation of a labor equalization allowance, by which American labor on the ocean may compete without degradation with the seamen of Europe and Asia; thirdly, in the authority to the Post-Office Department to spend such sums as will be sufficient to provide direct postal service with the ports of South Africa, South America, and Asia without attempting competition with the extravagant sums paid by foreign governments for the service between British and north seaports and those on our Atlantic seaboard: Therefore,

Resolved, That the National Board of Trade heartily commends the work of the Congressional Marine Commission, and urges upon Congress the enactment at the earliest possible date of Senate bill No. 6291.

NEWPORT NEWS CHAMBER OF COMMERCE.

January 9, 1905.

Whereas the Chamber of Commerce of the city of Newport News have learned through the public press of the report of the Congressional Commission on the American merchant marine, and has observed with keenest interest the bill recommended for the advancement of the maritime interests of our country; and

Whereas this chamber is aware of the attachment which the Hon. Thomas S. Martin, United States Senator from this State, has displayed for our ancient system of discriminating duties, and this chamber has shared his view in that respect, but this chamber nevertheless notes with entire approval the fact that Senator Martin's name was not appended to the minority report; and

Whereas it is the conviction of this body that the previous national policy of inaction has so sapped the marine resources of this country as to abundantly demonstrate the necessity for retaliatory measures; and

Whereas this chamber perceives that the principle of the proposed subvention is essentially the same as that of discriminating duties; that each form involves national aid from a fund provided by law; that in either case the people are taxed to bestow the benefit; that the difference between the two systems is merely a difference in measures and not of the thing measured—a difference in the name of the fund derived, but not a difference in the fund, a difference in convenience, not in essence: Now, therefore, be it

Resolved, That the chamber of commerce of this city believes that the proposed encouragement to the maritime interests of this country is a measure which will not only advance the commercial interests of this country, but, by reason of intimate relations between sea commerce and national security, will contribute largely to naval effectiveness; that this chamber of commerce believes that these considerations place the proposition upon a plane of patriotism rather than of politics; that, entertaining these views this chamber respectfully urges our Senators and Representatives in Congress to secure the passage of the said measure.

AMERICAN ASSOCIATION OF MASTERS AND PILOTS OF STEAM VESSELS.

January, 1905.

Whereas American ships now convey only 10 per cent of the imports and exports of the United States, while 90 per cent are conveyed in foreign ships, thus building up at the expense of the American people the naval reserve of foreign nations; and

Whereas this condition of affairs deprives American officers and seamen of employment in ocean trade, and thus prevents the development of an adequate naval reserve in our own country: Therefore,

Resolved, That the American Association of Masters and Pilots of Steam Vessels, realizing the need of American deep-sea shipping and the value of a strong merchant fleet to the nation in peace or war, heartily commends the work of the Merchant Marine Commission, authorized by Congress on the recommendation of the President, and urges the prompt enactment of Senate bill 6291, reported by the Commission, "to promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage."

PHILADELPHIA BOARD OF TRADE.

February 2, 1905.

*To the honorable the Senate and House of Representatives
of the United States in Congress assembled:*

This memorial of the Philadelphia Board of Trade respectfully represents:

That this board for many years, dating back to the time when American shipping in the foreign trade commenced showing a marked and rapid decline in tonnage, has persistently and earnestly petitioned your honorable bodies to enact such legislation as might tend to again place upon the seas the flag of our country on vessels of American build, and have it borne to the ports of the world.

That the board earnestly favored the appointment by Congress of the Merchant Marine Commission, and believes that this advocacy was wise and timely, as shown by the intelligent and exhaustive report of the majority of the said Commission submitted to Congress.

That the recommendations as presented by the majority report mentioned above it is believed, if promptly adopted, will aid materially in rehabilitating our merchant marine: Therefore,

Your memorialist, the Philadelphia Board of Trade, earnestly petitions your honorable bodies to promptly enact at this session of Congress the bill presented for its consideration by direction of the Merchant Marine Commission (Senate bill No. 6291), "to promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage."

CHAMBER OF COMMERCE OF SAN FRANCISCO.

February 3, 1905.

Whereas the Chamber of Commerce of San Francisco has ever advocated the interests of the merchant marine of the United States and steadfastly believes that all means should be adopted whereby it may ultimately flourish in consonance with our national greatness, and has heretofore memorialized Congress to this effect; and

Whereas the Chamber of Commerce of San Francisco also believes that the sea power of the United States should be maintained and strengthened, and particularly by making provision so that our merchant marine may be ancillary to our Navy should the emergency require: Therefore, be it

Resolved, That the Senators and Representatives of the State of California in Congress be, and they are hereby, requested to support and secure the enactment of legislation substantially as provided for in Senate bill No. 6291, Fifty-eighth Congress, third session, entitled "To promote the national defense, to create a force of naval volunteers, to establish American ocean line mails to foreign markets, to promote commerce, and to provide revenue from tonnage."

AMERICAN COTTON MANUFACTURERS' ASSOCIATION.

May 11, 1905.

Resolved, That more American ships to deliver the products of American factories are indispensable to a full development of our export trade with foreign lands, and especially with South America and the Orient.

Resolved, That the American Cotton Manufacturers' Association heartily commends the frank and thorough report of President Roosevelt's Merchant Marine Commission, and urges Congress at the next session to enact vigorous legislation for the upbuilding of American shipping in overseas trade, as a most effective method of commercial expansion. The American people must no longer be dependent upon the flags of England, France, and Germany, their mercantile competitors, for the means of reaching the neutral markets of the world.

NATIONAL ASSOCIATION OF MANUFACTURERS.

May 17, 1905.

Whereas this association has annually for several years plead for the restoration of the merchant marine, now imperative and indispensable for our present and future commerce, our exports having reached nearly a total of a billion and a half and our imports over a billion and still increasing; and

Whereas our flag has almost entirely disappeared from the high seas, 92 per cent of our entire foreign commerce having been transported in foreign-built vessels in 1903 and over 95 per cent in 1904, including naturalized steamships under American registration; and

Whereas at the Fifty-eighth Congress a commission was created for the purpose of investigation and reporting upon the merchant-marine necessities of the United States: Therefore, be it

Resolved, That the National Association of Manufacturers commends the work of the Merchant Marine Commission, heartily approves the passage of a bill for the upbuilding of American shipping in the foreign trade for our passengers, mails, and war service, and requests Congress to promptly take action on such a bill, thereby making possible an American marine power for the present and future expansion of our great commerce and as an auxiliary to our Navy.

BOARD OF TRADE OF THE STATE OF MAINE.

September 22, 1905.

Whereas for many years the State of Maine was famous for its shipbuilding, the products of its forests and the skill of its mechanics being known the world over for the safety, speed, and beauty of its ships; and

Whereas a century ago and for a period of over thirty years American ships carried an average of 90 per cent of our entire foreign commerce, they were unrivaled in construction; they were commanded, officered, and manned by men who were unequaled for their ability and whose courage and intrepidity have repeatedly shed imperishable renown upon the pages of our history, in all of which Maine ships and Maine men bore a conspicuous and glorious part; and

Whereas, while during the past half century the growth of our land industries has been the marvel of mankind, while our domestic carrying has by national law been confined to American vessels, which have increased and prospered under freight rates that have been steadily reduced under the competition of our own people, our shipping in the foreign trade has shrunk to but one-third of its former proportions, being now of less tonnage than it was in 1810; and

Whereas despite the wonderful growth of our foreign commerce, now approaching in value \$3,000,000,000 annually and requiring a shipping of fully 6,000,000 of tons for its ocean transportation, shipbuilding in the United States for the foreign trade has practically ceased; our Maine shipyards are shut down and in many places dismantled; our enterprising builders are facing ruin; our owner of deep-sea shipping are laying up, selling, or facing constant losses in the operation of their vessels; our shipmasters, officers, and seamen are without employment in the foreign trade; our young men are no longer bred to the sea, and we are threatened with extinction in the world's carrying trade, and

Whereas our almost complete dependence upon foreign shipping for the transportation of our growing surplus products to distant markets is a grave menace to the stability and safety of our foreign trade, since war between any of the great European powers—always possible—upon whose ships we rely for our ocean carrying would suddenly and indefinitely deprive us of the means with which to market our exports, and cause disaster and widespread losses in every avenue of trade, and

Whereas our foreign commerce at present affords employment for foreign vessels that are so constructed as to be available as auxiliaries to the navies of the nations whose flags they fly, their officers and seamen being trained and educated at our expense as a reserve in time of need for our rivals and our possible enemies, while our Government is lacking in similar resource that is essential to our national defense, and

Whereas upon President Roosevelt's urgent recommendation the last Congress appointed a commission which thoroughly investigated the condition and needs of American shipping, their report and their bill to carry into effect their recommendations being now ready for presentation to the coming Congress: Therefore, be it

Resolved by the Maine State Board of Trade, That we keenly feel the loss to the nation and to our State resulting from our humiliating decay and impotence; that we appreciate the thorough work of the Congressional Merchant Marine Commission, which we commend to the earliest possible and most earnest consideration of Congress; that we are regardful of the splendid past services of Maine's Senators and Representatives in Congress and confidently rely upon them to take the lead in the coming Congress in presenting and urging the promptest possible enactment of adequate legislation for the upbuilding and prosperous and permanent development of our deep-sea shipping, and we especially depend upon the commanding influence, deep interest, and solicitous concern of President Roosevelt in the rehabilitation of our merchant marine to help place upon our national statutes provisions for an effective and enduring American maritime policy; and be it further

Resolved, That the president and secretary be requested to send attested copies of these resolutions to President Roosevelt, to the President of the Senate and to the Speaker of the House of Representatives in the Congress of the United States, and to the press.

AMERICAN BANKERS' ASSOCIATION.

*October 12, 1905.**Resolved by the American Bankers' Association, assembled:*

1. That the members of this association are deeply interested in any measure which will promote the interest of the whole country commercially and industrially, and especially with reference to our foreign commerce.

2. That we favor and most respectfully urge the passage by Congress of some measure to foster and encourage the upbuilding of our merchant marine, and to give us back the prestige upon the high seas which we once enjoyed.

3. That we favor the ship-subsidy measure which has received consideration by Congress, which, we think, would tend to restore our flag upon the seas and build up our merchant marine to the extent that the necessities of our trade now and in the future may demand.

4. That we recommend that our Senators and Congressmen favor some just and equitable measure that will bring about the results and afford the relief above suggested.

5. That through our legislative committee we memorialize the Senate and House of Representatives of the United States with a copy of these resolutions.

NATIONAL FOUNDERS' ASSOCIATION.

November 15, 1905.

Resolved, That this convention of the National Founders' Association does most earnestly urge that our national legislators give their early attention to the deplorable condition of the American merchant marine.

Resolved, That we urge the immediate passage of the merchant-marine bill proposed by the Merchant Marine Commission and submitted to the last Congress as a part of its report.

COMMERCIAL CLUB OF MOBILE.

November 17, 1905.

Whereas upon the recommendation of President Roosevelt a Commission was appointed by the last Congress which thoroughly investigated the condition of American shipping, said Commission presenting a report, together with a bill to carry into effect its recommendations; and

Whereas the Commission found that but 9 per cent of our ocean carrying is done by American vessels, 91 per cent being carried by the subsidized and bountied shipping of other countries; that annually \$200,000,000 are being paid to foreign ships, and this condition the Commission's bill would so remedy as to give to American ships a much larger and fairer share of our deep-sea carrying; and

Whereas the Commission's bill conforms in its provisions to the practices of other nations in dealing with their merchant shipping and is so designed as to not only give our shipowners a greater share of our foreign carrying, but to create a demand for American materials and American labor in shipbuilding, as well as afford employment afloat for American shipmasters, officers, and seamen, the ships and men being essential to the national defense for auxiliary naval purposes in time of trouble: Therefore, be it

Resolved, That the Commercial Club of Mobile, Ala., recognizing the pressing importance of an American mercantile marine, warmly commends the work of the Congressional Merchant Marine Commission and expresses the earnest hope that its bill will receive the support of Alabama's Senators and Representatives in Congress, to the end that we shall have an effective and enduring American mercantile marine measurably commensurate with our position as a great world power; and be it further

Resolved, That a copy of these resolutions be forwarded to the President of the Senate and the Speaker of the House of Representatives, and to the members of the Alabama delegation in Congress.

PENSACOLA CHAMBER OF COMMERCE.

November 28, 1905.

Whereas upon the recommendation of President Roosevelt, a Commission was appointed by the last Congress which thoroughly investigated the condition of the American shipping, said Commission presenting a report, together with a bill to carry into effect its recommendations; and

Whereas the Commission found that but 9 per cent of our ocean carrying is done by American vessels, 91 per cent being carried by the subsidized and bountied shipping of other countries; that annually \$200,000,000 are being paid to foreign ships, and this condition the Commission's bill would so remedy as to give to American ships a much larger and fairer share of our deep-sea carrying; and

Whereas the Commission's bill conforms in its provisions to the practices of other nations in dealing with their merchant shipping and is so designed as to not only give our shipowners the greatest share of our foreign carrying, but to create a demand for American materials and American labor in shipbuilding, as well as to afford employment for American ship officers and seamen, the ships and men being essential to the national defense for auxiliary naval purposes in the time of trouble: Therefore, be it

Resolved, That the Chamber of Commerce of Pensacola, Fla., recognizing the pressing importance of an American mercantile marine, warmly commends the work of the Congressional Merchant Marine Commission and expresses the earnest hope that its bill will receive the support of Florida's Senators and Representatives in Congress, to the end that we will have an effective and enduring American mercantile marine commensurate with our position as a great world power; and be it further

Resolved, That nothing in the foregoing resolutions shall effect State control of pilotage matters in the several States of the Union.

Resolved, That a copy of these resolutions be forwarded to the President of the Senate and the Speaker of the House of Representatives, and to the members of the Florida delegation in Congress.

NEW ORLEANS BOARD OF TRADE.

December 13, 1905.

Whereas, upon the recommendation of President Roosevelt, a Commission was appointed by the last Congress which thoroughly investigated the condition of American shipping, said Commission presenting a report, together with a bill to carry into effect its recommendations; and

Whereas the Commission found that 9 per cent of our ocean carrying is done by American vessels, 91 per cent being carried by the subsidized and bountied shipping of other countries, that annually 200 millions of dollars are being paid to foreign ships, and this condition the Commission's bill would so remedy as to give to American ships a much larger and fairer share of our deep sea carrying; and

Whereas the Commission's bill conforms in its provisions to the practices of other nations in dealing with their merchant shipping, and is so designed not only to give our shipowners a greater share of our foreign carrying but to create a demand for American materials and American labor in shipbuilding as well as afford employment afloat for American shipmasters, officers, and seamen, the ships and men being essential to the national defense for auxiliary naval purposes in time of trouble; therefore be it

Resolved, That the New Orleans Board of Trade, recognizing the pressing importance of an American mercantile marine, warmly commends the work of the Congressional Merchant Marine Commission, and expresses the earnest hope that its bill will receive the support of Louisiana's Senators and Representatives in Congress, to the end that we shall have an effective and enduring mercantile marine commensurate with our position as a great world power; and be it further

Resolved, That a copy of these resolutions be forwarded to the President of the Senate and the Speaker of the House of Representatives and to the Members of the Louisiana delegation in Congress.

BRUNSWICK BOARD OF TRADE.

January 4, 1906.

Whereas upon the recommendation of the President a commission was appointed by the last Congress, which thoroughly investigated the condition of American shipping, said Commission presenting a report together with a bill to carry into effect its recommendations; and

Whereas the Commission found that 9 per cent of our ocean carrying is done by American vessels, 91 per cent being carried by the subsidized and bountied shipping of other countries; that annually about 200 millions of dollars are being paid to foreign ships, and this condition the Commission's bill would so remedy as to give to American ships a much larger and fairer share of our deep-sea carrying; and

Whereas said Commission has framed a bill now pending before Congress after full hearings in all parts of the country, the entire Commission agreeing, it is understood, that some legislation is not only desirable but necessary for the revival of our merchant marine, differing only as to methods; and

Whereas the commerce of the United States with the West Indies, Central and South America is steadily increasing, is nearest the southern ports, increasing with Cuba in the past seven years from \$28,000,000 to \$134,000,000, with Porto Rico from less than \$4,000,000 to over \$28,000,000, destined with reasonable aid to our merchant marine to increase with South and Central America in equally wonderful proportions and equally important to this port and other ports on the South Atlantic coast with Gulf ports:

Resolved, That this board earnestly appeals to Congress to amend Senate bill 529 (or any like measure which may be passed) in the 6th section thereof, in the first to eighth paragraphs, inclusive, so as to open the ocean-mail service therein provided for to all Atlantic and all Gulf ports.

Resolved, That this board earnestly appreciates and commends the patriotic work of the Commission, deems this a question above party, and appeals to the Congress to pass some wise measure for the revival of our merchant marine in American ships, built in American shipyards, of American material, thus paving the way for supremacy in this only field of effort in which the United States is exceeded by other nations, and earnestly hopes our Senators and Representatives in Congress will see their way to support such a measure, already appealed for by the legislature of Georgia, and of vital importance, as this board believes, to every citizen of the State, and wiping out the humiliation of the leading nations in commerce carrying 91 per cent of its trade in foreign ships under foreign flags.

Resolved, That a properly certified copy of this resolution be transmitted to the President of the Senate, to the Speaker of the House of Representatives, and to each of our Senators and Representatives in the Congress of the United States.

CITIZENS' ASSOCIATION OF QUINCY.

January 8, 1906.

Whereas the Citizens' Association of Quincy, Mass., has learned that a bill has been introduced in Congress to promote and upbuild the American merchant marine and American commerce, which bill is of vital interest to the shipping and commercial interests of the State of Massachusetts, and especially to the city of Quincy; and

Whereas American ships now convey less than 10 per cent of the imports and exports of the United States; and

Whereas more American ships are indispensable to a full development of American export trade with foreign lands, and especially with South America; and

Whereas this condition of affairs deprives American officers and seamen of employment in ocean trade, and prevents the establishment of suitable naval reserve; therefore be it

Resolved, That this Citizens' Association believes that the proposed encouragement to the maritime interests of this country is a measure which will advance the commercial interests of the nation, and recommends the enactment by Congress of suitable measures "to promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage;" and be it further

Resolved, That the president and secretary be requested to send attested copies of these resolutions to President Roosevelt, to the Senators and Representatives in the Congress of the United States from Massachusetts, to Senator Gallinger, of the Merchant Marine Commission, and to the press.

NATIONAL BOARD OF TRADE.

January 18, 1906.

Resolved, That the National Board of Trade approves of the Senate bill No. 529 as the best means now practicable before the country for the improvement of the merchant marine, and urges its approval by Congress; and, further, the committee approves the postponement of the time of application for the present navigation laws as to the Philippines to July 1, 1909, as recommended in the Senate bill above referred to.

NEWPORT NEWS CHAMBER OF COMMERCE.

January, 1906.

Whereas the chamber of commerce of the seaport city of Newport News, Va., has observed with peculiar interest the rapidly increasing growth of the ocean commerce of the United States, but has noted with grave apprehension that coincident with this increasing trade the American merchant marine has diminished to the vanishing point, and

Whereas this lamentable decline in our deep sea shipping has been caused not only by a lower wage scale in foreign construction and operation, but by the lower freight rate following the large subsidies which every maritime nation, except the United States, has long granted its merchant marine, in direct consequence of which American ships now carry only 5 per cent of our sea commerce, and the people of the United States now pay \$200,000,000 annual freight tribute to those foreign nations who have embraced the advantage which our apathy presented; and

Whereas this chamber in 1902 expressed by resolution its conviction that the payment of such a tremendous annual sum to foreign ships essentially constituted an enormous subsidy to foreign sea power, and was a reckless and dangerous dissipation of American wealth; and

Whereas this chamber recognized that sound business policy, as well as the graver considerations of self-defense, demanded that American ships should carry American commerce, for when our ships carry our commerce that commerce will reach peoples who will otherwise never see an American product; and

Whereas this chamber further recognized that the defense of the nation, the preservation of its power, and the prosperity of its people were not to be regarded from the narrowness of a partisan standpoint, but in a broad and patriotic spirit; and

Whereas when Congress appointed a nonpartisan commission to inquire into and report the best means for providing for an efficient merchant marine this chamber felt that a step had been taken of inestimable importance to the entire nation; and

Whereas after an inquiry extending over many months, a report was presented to Congress by the Commission recommending bill No. S. 529, entitled "A bill to promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage;" and

Whereas accompanying said report was a minority report, declaring an attachment to the system of discriminating duties, which minority report, however, further declared that that system would not bring relief unless the present tariff was increased in many cases and a new tariff imposed in many others to permit the discriminating duties to attach, but further declared the conviction that the tariff should not be disturbed, and no bill was reported by the minority and no specific method of relief suggested by it; and

Whereas this chamber perceives that the sole difference between discriminating duties and subsidies is that the former is paid directly and the latter indirectly by the people, and that, so far as the individual is concerned, both have the same consequence; and

Whereas this chamber recognizes that the American people are offered the choice between the affirmative legislation recommended by the majority, and the negative policy of inaction which has already cost the nation many billions of money; and this chamber further realizes that the question is one of business propriety and finance, as well as one of self-defense, and that it is the duty of commercial bodies under such circumstances to seek to arouse the public to a realization of its opportunity.

1. *Now, therefore, be it resolved*, That this chamber does hereby unhesitatingly indorse bill No. S, 529, entitled "A bill to promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage."

2. *Resolved*, That this chamber earnestly requests the members of the United States Senate and the House of Representatives to secure the passage of the said bill.

3. *Resolved*, That a copy of the above preamble and these resolutions be transmitted to each Member of Congress from Virginia, with the request that they give this measure their active support.

4. *Resolved*, That copies be transmitted to the various commercial bodies in the State of Virginia and in all the Southern States, with the urgent desire that such bodies cooperate in securing the passage of similar resolutions.

5. *Resolved*, That copies be transmitted to the public press with the request that it use the strong influences of publication to forward this movement.

6. *Resolved*, That the secretary of this body also transmit such data as may be available bearing upon the subject of these resolutions.

And be it finally

7. *Resolved*, That we ask each individual voter to write to members of the United States Senate and the House of Representatives, urging favorable action on said bill.

NEWPORT NEWS MERCHANTS' ASSOCIATION.

January 25, 1906.

Whereas, the chamber of commerce of this city did, on the 24th instant, by resolution, indorse the bill now pending in the Congress of the United States, entitled "A bill to promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage;" and

Whereas, the Merchants' Association of Newport News, Va., is in hearty accord with the tenor of said resolutions, believing that said bill, if enacted into law, will encourage our deep-sea shipping and bring greater prosperity to the entire nation; be it therefore

1. *Resolved*, That this association hereby indorses the action of the chamber of commerce in approving said bill.

2. *Resolved*, That copies of the foregoing preamble and these resolutions be transmitted to the Members of Congress from Virginia.

3. *Resolved*, That copies also be furnished the various boards of trade and kindred organizations in Virginia and throughout the South, with the request that they cooperate with us in bringing about the passage of said bill.

Adopted at a regular meeting of the Merchants' Association of Newport News, Va., held on this 25th day of January, 1906.

CENTRAL LABOR UNION, OF NEWPORT NEWS.

January 26, 1906.

Whereas the ocean commerce of the United States has declined, owing to the fact that foreign powers subsidize their steamship lines, which, combined with a cheaper wage scale in the construction and operation of their ships, forced American ships from the high seas, thus diminishing the demand for labor; and

Whereas there is now pending in the Congress of the United States a bill to promote the American merchant marine, which bill, if it becomes a law, we believe would encourage both capital and labor and result in giving employment to thousands of wage-earners in shipbuilding plants and kindred industries, and the carrying of American products in American-built ships, manned by American seamen, and save to this country the sum of \$200,000,000 now paid out annually in freights to foreign shipowners: Therefore, be it—

1. *Resolved*, That the Central Labor Union, of Newport News, Va., hereby indorses said bill and urges the Members of Congress from this State to support the same.

2. *Resolved*, That each Senator and Representative from Virginia be furnished with a copy of these resolutions.

3. *Resolved*, That the secretary furnish copies of these resolutions to the various labor organizations in the State and in the Southern States generally, and that they be requested to cooperate with us.

Adopted at a regular meeting of the Central Labor Union held this 26th day of January, 1906.

NEWPORT NEWS CLEARING-HOUSE ASSOCIATION.

January, 1906.

Whereas on October 12, 1905, The American Bankers' Association passed the following resolution:

"1. That the members of this association are deeply interested in any measure which will promote the interest of the whole country commercially and industrially, and especially with reference to our foreign commerce.

"2. That we favor and most respectfully urge the passage by Congress of some measure to foster and encourage the upbuilding of our merchant marine, and to give us back the prestige upon the high seas which we once enjoyed.

"3. That we favor the ship-subsidy measure which has received consideration by Congress, which, we think, would tend to restore our flag upon the seas and build up our merchant marine to the extent that the necessities of our trade now and in the future may demand.

"4. That we recommend that our Senators and Congressmen favor some just and equitable measure that will bring about the results and afford the relief above suggested.

"5. That through our legislative committee we memorialize the Senate and House of Representatives of the United States with a copy of these resolutions." And,

Whereas the Newport News Clearing-House Association, representing the banks of the city of Newport News, observe that there is but one measure now before Congress for the relief of the American merchant marine, namely, bill S. 529, entitled "A bill to promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage;" and

Whereas it is known to this body that questions have been raised as to whether the said bill is the best that could be devised for the accomplishment of the above purpose, but no other bill has been presented, and it is admitted on all sides that the existing bill will accomplish the restoration of our shipping; and

Whereas, for want of appropriate affirmative legislation, the merchant marine of the United States has disappeared from the seas, with the result that American commerce now depends upon foreign ships of carriage, paying for this service the immense sum of \$20,000,000 annually, thus employing 500,000 foreign workmen and subsidizing a foreign shipping and building its sea power at the cost of our own; and

Whereas this body is convinced that the continued expenditure of such a vast annual sum is a subject of much more serious concern to the American people than the mere form of legislation; and this body is further convinced that it is the duty of every patriotic citizen to urge affirmative legislation in place of that policy of inaction which not only saps the national resources of defense, but creates a naval strength in foreign nations, who in the future may threaten the safety of the Republic,

1. *Now, therefore, be it resolved*, That this clearing house association does hereby unhesitatingly indorse bill S. 529, entitled "A bill to promote the national defense, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage."

2. *Resolved*, That this association earnestly requests the members of the United States Senate and the House of Representatives to secure the passage of said bill.

3. *Resolved*, That a copy of the above preamble and these resolutions be transmitted to each member of Congress from Virginia, with the request that they give this measure their active support.

4. *Resolved*, That copies be transmitted to the various banks, banking houses, and trust companies in the State of Virginia, with the urgent desire that such banks, banking houses, and trust companies cooperate in securing the passage of similar resolutions.

5. *Resolved*, That the secretary of this association also transmit such data as may be available bearing upon the subject of these resolutions.

And be it finally

6. *Resolved*, That we ask each individual voter to write to members of the United States Senate and the House of Representatives, urging favorable action on said bill.

RESOLUTION OF THE LEGISLATURE OF THE STATE OF NEW YORK.

IN SENATE,
Albany, February 8, 1906.

Introduced by Mr. Henry W. Hill, of Buffalo, N. Y.

A concurrent resolution of the legislature of the State of New York, addressed to the United States Senators and Representatives in the Congress of the United States from the State of New York, in relation to American shipping in the foreign trade by sea.

Whereas our merchant marine engaged in the foreign trade, which in 1810 carried 90 per cent of our foreign commerce and to-day carries but 10 per cent thereof, is now only one-third as large as it was in the zenith of its development in 1860; and

Whereas an American merchant marine, with trained and experienced shipmasters, officers, and seamen, sailing under the flag of the United States, is essential to our national defense as an auxiliary to the Navy in time of need; and

Whereas upon the recommendation of President Roosevelt a Commission consisting of 5 Senators and 5 Representatives in Congress was appointed to investigate this subject, and public hearings were held in most of the leading Atlantic, Gulf, Lake, and Pacific ports of the United States, resulting in a report, accompanied by a bill to carry into effect the recommendation of the Commission, which measure is now pending in the Congress of the United States, and is designed to upbuild and rehabilitate our shipping in the foreign trade: Therefore be it

Resolved (if the assembly concur), That the legislature of the State of New York commends the work, the report, and the bill of the Congressional Merchant Marine Commission as worthy of the support of the Senators and Representatives in the Congress of the United States from the State of New York; be it further

Resolved (if the assembly concur), That a copy of these resolutions be forwarded to the Senators and Representatives in Congress from the State of New York.

By order of the senate.

LAFAYETTE B. GLEASON, Clerk.

In assembly, February 12, 1906.

Concurred in without amendment.

By order of the assembly.

A. E. BAXTER, Clerk.

CLEVELAND CHAMBER OF COMMERCE.

February 20, 1906.

Resolved, First, That due consideration for the broad development of our foreign commerce and for the better safety of the nation demands the restoration of a foreign merchants marine under our flag.

Second, That this is being striven for and accomplished steadily by other nations in their own behalf.

Third, That we regard the work of the Congressional Marine Commission as having been done with ability, fairness, and discrimination, and therefore,

Fourth, We recommend the prompt enactment and early trial of the plan evolved by the Commission and embodied in the Gallinger bill, so called, which has recently passed the Senate, and,

Fifth, That copies of these resolutions be forwarded to the Senators and Representatives of Ohio in Congress.

BUFFALO CHAMBER OF COMMERCE.

March 8, 1906.

The development of the American merchant marine as a means for the further growth of our foreign commerce has been most thoroughly investigated by the Merchant Marine Commission appointed under authority of an act of Congress.

The Merchant Marine Commission, after an exhaustive investigation and study of the subject, recommended the enactment of a bill known as the "Gallinger bill," which recently passed the Senate.

Believing that the building up of an American merchant marine is essential to the further development of trade and commerce with foreign nations, and that the recommendations of the Commission might safely be followed: Therefore, be it

Resolved, That the Chamber of Commerce of Buffalo recommend the speedy enactment of the Gallinger bill, and respectfully urges upon the members of Congress from the city of Buffalo and the State of New York their hearty support of this measure; and be it further

Resolved, That a copy of this resolution be transmitted to the Senators and Representatives in Congress from the State of New York.

NATIONAL METAL TRADES ASSOCIATION, CLEVELAND, OHIO.

March 22, 1906.

Resolved, That the National Metal Trades Association, in annual convention assembled, hereby gives its most emphatic indorsement and approval of United States Senate bill No. 529, known as the Gallinger bill, for the aid of the American merchant marine; and this convention recommends and strongly urges upon the House of Representatives the passage of this bill.

And, further, That the secretary of this convention is hereby directed to transmit a copy of this resolution to the chairman of the Committee on Merchant Marine and Fisheries of the House.

UNITED BOILER MAKERS AND IRON-SHIP BUILDERS OF NORTH AMERICA.

OFFICE OF CORRESPONDING SECRETARY,
114 NORTH BOND STREET,
Baltimore, April 10, 1906.

To the members of the House of Representatives.

To the members of the committee who have charge of the ship-subsidy bill, known as S. 529, of the American merchant marine and American commerce.

DEAR SIRS: This is to certify that at a meeting of the United Boiler Makers and Iron-Ship Builders of North America, held on Monday evening, April 2, 1906, by a unanimous vote of the members present, they heartily indorsed the said bill, and they instructed me to inform the committee of that fact; that they would have you give this your earnest consideration, have said bill reported favorably to the House, and use all the influence you can bring to bear to have it become a law.

Thanking you in advance.

Yours, respectfully,

FRANK P. SHANEY, *Local No. 5.*
WM. MAHER, *Recording Secretary.*

MISSISSIPPI VALLEY LATIN-AMERICAN CONVENTION, AT NEW ORLEANS.

April 5, 6, and 7, 1906.

Be it resolved, That, believing the development of the American merchant marine will result in the stimulation of American trade, we heartily approve the bill introduced in Congress by Senator Gallinger for the rehabilitation of the American flag on the high seas, and trust our Representatives in Congress will do everything in their power to give us relief, since it seems but natural that

the means of conveyance for the shipment of the products of this country to the great markets of the world should be owned by ourselves.

Be it resolved, That as the improvement of internal waterways is coincident with the development of foreign trade, the National Government, having assumed the improvement and control of rivers, harbors, and waterways of the country, and having unequivocally bound itself to discharge these obligations promptly by sound business methods, instead of appropriating for the purpose at uncertain intervals of two or three years, should put river and harbor bills on a par with other great appropriation bills by annual appropriation, and direct all such work economically and continuously without the waste incident to intermittent effort.

Be it resolved, That this conference heartily intorses the efforts of all private enterprises that may tend to the development of internal trade.

Names of different cities and associations which were represented at the Mississippi Valley Latin-American Convention, at New Orleans, on April 5, 6, and 7.

Frankfort, Ky.

Nashville Board of Trade.

Chattanooga Chamber of Commerce.

Wisconsin.

Chamber of Commerce, Quincy, Ill.

Chicago, Ill.

Cincinnati Chamber of Commerce.

Columbus, Miss.

Meridian, Miss., Board of Trade.

Belleville, Ill., Commercial Club.

St. Louis Merchants' Exchange.

Latin-American Club and Foreign Trade Association of St. Louis.

Kansas City Board of Trade.

Kansas City Commercial Club.

Dallas, Tex., Commercial Club.

Galveston, Tex.

Fort Worth, Tex.

Pittsburg, Pa., Merchants and Manufacturers' Association.

Atlanta, Ga.

Little Rock, Ark., Board of Trade.

Pine Bluff, Ark.

Clarksville, Tenn.

Washington, D. C.

St. Paul, Minn.

Chamber of Commerce, Beaumont, Tex.

Madisonville, Tex.

Southern Cotton Growers' Association.

Commercial Club, Marion, Ind.

Birmingham, Ala.

ILLINOIS MANUFACTURERS' ASSOCIATION.

April 13, 1906.

Resolved, That the Illinois Manufacturers' Association most heartily favors the promptest possible passage through the House of Representatives of the Merchant Marine Commission shipping bill (S. 529) that passed the United States Senate February 14, 1906, for the greater stability of our foreign trade, and also in order that merchant ships and their trained officers and seamen may be at the command of our Government in time of war; and be it further

Resolved, That a copy of the foregoing resolution be sent to each member of the Senate and House of Representatives in Congress from Illinois.

BROTHERHOOD OF BOILER MAKERS AND IRON-SHIP BUILDERS
OF AMERICA.

SUBORDINATE LODGE, No. 254,
Chicago Heights, Ill., April 19, 1906.

Resolved by the Brotherhood of Boiler Makers and Iron-Ship Builders of America, That we strongly favor the early enactment of the Gallinger shipping bill that passed the United States Senate on February 14, 1906, for the reason that its adoption will give more employment with steady work at shorter hours and better wages to American shipyard workers, besides which workers in shipyards who have been temporarily drawn into other trades because of lack of work in the shipyards will relieve those trades from their competition and restore better conditions in all trades; and be it further

Resolved, That a copy of this resolution be forwarded to Hon. C. H. Grosvenor, chairman House Merchant Marine and Fisheries Committee, Washington, D. C., attested by the secretary and over the seal of this lodge.

Attest:

[SEAL.]

E. C. NORMAN,
Secretary.

RESOLUTIONS ASKING CONGRESS TO RESTORE THE MERCANTILE MARINE.

TRANSMISSISSIPPI COMMERCIAL CONGRESS.

August 19, 1905.

Representing all the States and Territories west of the Mississippi River, including Hawaii and the Philippines, in annual meeting at Portland, Oreg., August 19, 1905.

We unqualifiedly favor the progressive national policy on the part of the United States of fostering and building up an American merchant marine by every available means, and we respectfully urge upon the consideration of Congress the national importance of this question in the development of our foreign trade.

NATIONAL ASSOCIATION OF WHOLESALE DRUGGISTS.

October 5, 1905.

Whereas over 95 per cent of our exports, imports, passengers, and freight are carried under every flag except the Stars and Stripes, the National Association of Wholesale Druggists and its allied interests in convention assembled in one of the largest world seaports:

Resolved, That for our commerce in times of peace and our Army and Navy in times of war we ask Congress to restore to us an American merchant marine by passing an effective shipping bill.

GREENE COUNTY, GA., COTTON GROWERS' ASSOCIATION.

May, 1905.

We, the Cotton Growers' Convention, citizens of Greene County, in mass meeting assembled—

Resolved, That it is for the interest of the cotton growers of the South that all necessary aid shall be given by the General Government to upbuild and encourage our merchant marine, with a view of opening up new markets for the consumption of our cotton and cotton products, and we hereby request our Congressman to work and vote all necessary aid toward this end.

COMMERCIAL CLUB OF BIRMINGHAM.

January 10, 1906.

Resolved by the Commercial Club of Birmingham:

1. That it is apparent to all that the merchant-marine service of these United States is far below what it ought to be, and that it has not been and is not increasing in proportion to our national prosperity in other pursuits.

2. That the interest of this country, and particularly the early and further and continued prosperity of the States bordering on the Gulf, will be greatly enhanced by the extension of the shipping interest, and that its substantial encouragement and adjustment on some permanent basis will tend greatly to our defense in war and welfare in peace.

3. That it is an urgent and pressing and imperative duty resting on the Congress to aid and foster and upbuild our shipping interests; and we urge and request our Senators and Representatives in Congress to assist in all constitutional ways.

4. That a copy of these resolutions be mailed to each of the Senators and Representatives in Congress from Alabama.

AMERICAN SHIPS FOR AMERICAN COMMERCE.

One of the most important features of the voluminous testimony taken all over the country by the Merchant Marine Commission was the insistence of practical men of business—merchants and manufacturers and bankers—not themselves interested in any way in shipowning or shipbuilding, that the lack of American ships prevented us from securing an adequate market abroad for the products of American manufacturing, mining, and agriculture.

These practical business men were familiar with the argument of academic free traders and of foreign steamship managers against encouragement to the American merchant marine, that foreigners were carrying our ocean commerce cheaply for us, and that therefore they ought to have a perpetual monopoly of it. But these manufacturers, merchants, and bankers interested in our export trade know, first, that foreign steamship companies do not carry our own products as cheaply as they carry the products of their own countries if they can help it, and that in a great many instances the foreigners do not supply ships to carry our trade at all, or furnish only worn-out uneconomical vessels, discarded from their own service and sent over here as good enough for the United States, which is helpless because it has no shipping of its own.

These facts are well understood in the seaboard States. They are also understood by the practical business men of the interior, as is demonstrated by the following testimony of middle-western business men before the Merchant Marine Commission:

Mr. James A. Patton, of the Chicago Board of Trade:

"I would be heartily in favor of granting a subsidy to ships sailing from our ports to South America, because our manufacturers have no facilities for shipping there, and we could in that way increase our manufactures all over the country. The shipments of agricultural implements alone from the city of Chicago are enormous."

Mr. Charles L. Pack, of Cleveland, lumberman (at Cleveland, June 28, 1904):

"Most of you know that the region of greatest lumber production in the whole country is the Southern States. The production of lumber there in 1903 was over 10,000,000,000 feet, which is an enormous quantity. If this southern lumber alone were loaded on cars, with the normal load to a car, the train would extend all the way from New York to San Francisco.

"About one-tenth of that lumber is exported. About 1,000,000,000 feet were exported in 1903, and the export trade from the southern ports have been the safeguard of the lumber business in the South for the last twenty years, for the reason that it has taken a good deal of production that we could not well use at home, and the foreign demand has often been good when our demand at home was very poor.

"This export business is very much handicapped because it has to be done to a large extent in tramp steamers. That 1,000,000,000 feet of lumber goes to a very large portion of the world. Last year the exports from the Southern States went to over 150 different foreign ports in Europe, in Asia, as far east as the Straits Settlements, and to both coasts of Africa, and the export would have been very much increased if we had had line steamers running from the southern ports rather than having to depend on occasional tramps, as we could pick them up. It often happens that at times we can get more steamers than we have need of, and then there will be weeks and sometimes even months when it is very difficult to get sufficient tonnage to fill the orders. Oftentimes orders are canceled for lack of regular shipping facilities."

Mr. C. A. Grasselli, of Cleveland, president of the Grasselli Chemical Company:

"Bear in mind that in order to make shipments to South American ports, with some few exceptions, Americans are compelled to forward the goods to some European port, from which it is sent on to South America. The handicap to American industry becomes a very serious question, and when it is considered that

foreign steamship lines are owned and controlled by corporations favorable to the countries to whom they belong and interested in their exports and in their own products, they do not give to the export of the American product the same careful handling and consideration that they naturally do their own; this resulting in the American goods arriving in more or less damaged condition, due to repeated and careless handling, thus causing another serious obstacle in our export business. Besides, with our own flag flying over her, the American ship, in a sense an extension of our own territory, and with her own officers, entering into foreign countries, brings us in physical contact with these countries, insuring our exports in reaching their destination."

Mr. S. A. Upson, of Cleveland, president of the Upson Nut and Bolt Company:

"I want to call your attention very briefly to the fact that a few years since we saw the necessity of increasing our export business, and I concluded that I would take some observations in South America. I found on investigation that in order to get there in any comfort and within a reasonable time I must go by way of England. I found in England two lines of steamers, subsidized by the English Government, being paid liberally for carrying the mail. The two lines ran alternately, so that a fast steamer sailed every week alternately from Southampton and from Liverpool.

"On reaching South America I found English, German, Italian, and French steamers touching semimonthly at nearly all the principal ports, bringing up in Argentina, at the city of Buenos Ayres. In the harbor of Buenos Ayres were many hundreds of ships from all nations, and they have there the finest docks in the world, except, possibly, at Liverpool. This will give you some idea of the immensity of the shipping arriving at that point.

"I learned, on trying to canvass the trade to see what we could do with American goods, that the greatest obstacle to our selling goods was, first, the difference in exchange of about 2 per cent between New York and Liverpool or London. I found also that it was almost an impossibility to expect to get business there on account of the very slow facilities for transportation.

"There were nothing but tramp steamers running between New York and South American ports at that time. These were advertised to leave on perhaps the 1st or the 10th of the month, and they would sail any time within a week or two weeks later, very seldom sailing at the time advertised, while the mail steamers to other countries were all running on regular schedule time, semimonthly, excepting to England, where they were running weekly, and the merchants said that in consequence of the very slow facilities for getting freight and mail to the United States there would be very little use in their trying to do business with the United States. They always knew when they could mail letters to Europe or England particularly and when they could get their replies, as there were steamers going on regular schedule time, while letters sent to the United States would be a month or six weeks en route. In fact, if they wanted to expedite either letters or merchandise they sent them by way of England."

Representative Grosvenor:

"Mr. Upson, if it does not interrupt your line of thought, do you believe that if a line of fine steamers should be inaugurated from New York to Buenos Ayres it would divert to the United States a large or a considerable part of the business that now goes to Europe?"

Mr. Upson:

"I think it would, for this reason: If we had a regular line of good, first-class, speedy steamers, carrying the mail regularly from New York to Buenos Ayres and intermediate ports semimonthly, so that the people of the United States and the people of Argentina and other countries could know that they could get their goods and their mail forwarded promptly, I believe the business would grow very rapidly. I think a great many of our Americans who now visit Europe would take trips to South America, partly as a matter of recreation and partly as a matter of business, and the results would be very great."

Mr. F. F. Prentiss, of the Cleveland Twist Drill Company:

"I want to call your attention to the conditions in South America. I was there several years ago, and the conditions impressed me very strongly. I had to go via Europe to reach South America. The first port at which I stopped—Bahia—and the situation was the same at Rio Janeiro, Montevideo, and Buenos Ayres, and at every city where I attempted to market my goods or inquire about the condition of business—I ran against the transportation problem. It was the serious thing that handicapped me in my business, and it handicapped others whose volume would be ten times mine if they had proper facilities.

"While I look, as a manufacturer, at the commercial side of it, I also wish

to represent the artisan and the tiller of the soil, who contribute toward the products that we can ship to South America, and we can ship them to other parts of the world, if we have the direct connection, even better than we do to-day. I lay particular stress, however, on the conditions down there, which are due to the lack of transportation facilities."

Mr. Walter D. Sayle, president of the Cleveland Punch and Shear Works Company, and president of the Manufacturers' Association:

"It might be proper for me to state to you that I am neither a builder of ships nor to any extent a shipper, nor have I a dollar invested in any of the great steel carrying ships that touch our shores, but I am greatly interested as a citizen, a manufacturer, and a banker, and as one who has given some little thought to this subject.

"One of the commonest arguments of those who are indifferent to the condition of our merchant marine is that it makes no difference in what manner our trade goes abroad, so long as we enjoy rates as low as our competitors.

"This, to my notion, is only a half view of the subject. If we are to regard the mere crossing of the ocean as all, it really makes no difference whatever whether the goods go in American bottoms or in foreign bottoms, provided they go as cheaply; but if we are to consider the multiplication of American houses in foreign ports, the promotion of American trade in foreign countries, the loss of trade to our own steel and machinery manufacturers, the establishment of American banks in all the quarters of the world, if we are to have within ourselves the means of oversea transportation in times of war, then we must look to it that American exports go abroad in American ships.

"We can not hope to establish American trade through foreign branch houses and branch banks in foreign countries until the avenues of transportation between the parent houses and their offsprings are entirely independent, absolutely American, and not subject to either the sanction or the forbearance of any nation."

Col. J. J. Sullivan, president of the Central National Bank of Cleveland, ex-president of the Cleveland Chamber of Commerce, and president of the National Board of Trade:

"Blood is thicker than water, and, given the opportunity, a British ship will work for a British house in preference to that of any other nation. Thus it is that the British manufacturer can beat us in the South American market—a part of our own continent. The great need of South America is agricultural machinery, yet every American reaper and every American harvester must first be dumped on Liverpool docks before it can reach the South American consumer. What chance do you suppose it will stand over there if it comes in competition with a similar product of British manufacture?

"Therefore, I say this question of oversea shipping is one which concerns us as merchants and manufacturers and business men. We should keep our export trade as nearly as we can within our own hands for the benefit of our own merchants and manufacturers."

Mr. David Harlowe, of Milwaukee, traffic manager of the Allis-Chalmers Company:

"To South America the vessels run very irregularly, possibly at periods of once a month or every six weeks.

"The CHAIRMAN. And they are all foreign steamships?

"Mr. HARLOWE. They are all foreign steamships. The same condition applies to the west coast of America. There are very few vessels sailing from New York or from any other Atlantic port to the west coast of America, and from San Francisco there is only one line of steamers coasting as far as Panama, but none south of Panama. It seems to me that there should be a line of steamships from Pacific coast ports to the west coast of South America, and that there should be steamers sailing oftener than at present from New York and other Atlantic ports to the east coast of South America.

"It appears to me that there would be considerable advantage in having a large American merchant marine by reason of the fact that at present most of the vessels sailing from our ports are owned by foreign capital, and these foreign owners are interested in lines to the same ports from Europe. Consequently they will make no rates from United States ports lower than those that apply from European ports."

"If we could have a marine of our own it would be cut away from all foreign entanglements, and our steamship agents would be in a position to make a rate to help the home manufacturer as against the foreign manufacturer. Competition is very keen in all manufactured articles I presume. It is the case

in ours, and especially in shipments from England and Germany. We should have a marine of our own that would pay no attention to the rates which are promulgated from the other side, but just go on and enable us to meet competition in the delivery price at destination. I think that point should be borne in mind, gentlemen.

* * * * *

"Representative MINOR. You think if we had ships running direct from a few ports in the United States to those ports in South America we would get better dispatch and more regular service?"

"Mr. HARLOWE. Yes, sir; and we would be building up a trade as well as taking care of it. Also please bear in mind that there should be service from the Pacific coast to the west coast of South America."

Hon. John Barrett, now minister to Panama, formerly minister to Argentina (at Chicago, June 24, 1904):

"The business men of Buenos Ayres can write to Europe and receive a reply easily in fifty days. It is very seldom that they can ever communicate with New York and Chicago and get an answer in less than eighty days. Anyone who is familiar with business methods and the importance of good mail exchange realizes what a handicap this is to the extension of American commerce. I have heard scores of South American merchants and bankers complain of the wretched mail arrangements between the United States and Argentina. If there were direct and regular service between Buenos Ayres and New York, there is no doubt in my mind that four-fifths of the southern South Americans who travel to the Northern Hemisphere, on either business or pleasure, would come or return via the United States.

* * * * *

"The principal reason that we do not have direct steamship communication now of the class which I mention is that no company is willing to undertake it as an experiment or venture, unless they can receive a compensation for carrying the mail which will insure them against primary or temporary loss. I have talked with leading steamship men in Buenos Ayres, Paris, Hamburg, and London, as well as in New York, and they have all told me that it would be impossible to initiate a great and important undertaking of this kind unless they could receive sufficient support from the United States and the South American republics to protect them while they were building up sufficient traffic and travel to maintain the line on a paying basis."

APPROVED BY ILLINOIS MANUFACTURERS.

Reading these declarations of middle western men of business that national aid to the American merchant marine is demanded in order that the manufacturers and farmers of Ohio, Indiana, Michigan, Illinois, Wisconsin, and other Middle Western States may secure fair freight rates and adequate shipping facilities to build up their export trade to South America and other foreign markets, it is easy to understand why the Illinois Manufacturers' Association on April 13, 1906, through its board of directors, formally indorsed the shipping bill of the Merchant Marine Commission and urged the House of Representatives to pass it. The members of the Illinois Manufacturers' Association desire the enactment of this legislation, not as shipowners or shipbuilders, but as American producers, having a surplus which they must sell abroad in competition with the manufacturers of foreign countries whose governments, by subsidy or otherwise, provide ample shipping facilities for them.

STATEMENTS OF AMERICAN REPRESENTATIVES ABROAD.

The declarations of these middle western business men that the failure of our Government to protect and encourage American shipping prevents the manufacturers of the Middle Western States from securing their fair share of the world's markets have been confirmed time and time again by American ministers, consuls, and special commercial agents in foreign countries. About a year ago Special Agent Hutchinson, sent out by the Department of Commerce and Labor, stated in a report after a brief stay in Brazil that he did not think that more commercial shipping lines were necessary to South America, though

he did think that there was urgent need of an improved mail service. This early report of Mr. Hutchinson, based on brief observation and experience, was eagerly caught up and exploited by those opposed to national aid to the American merchant marine in this country and in Europe. But it is very significant that the farther Mr. Hutchinson traveled in South America and the more he saw and learned the more completely he has come into accord with the opinions of other official observers. In his later reports, based on a fuller understanding of the question, he very frankly declares that our American export trade to South America is seriously hampered by the lack of an American merchant marine and of direct lines of communication.

Thus Mr. Hutchinson states, in a report published on March 23, 1906, by the Department of Commerce and Labor:

"There is no direct passenger service to Chile or the River Plata from the United States. Passengers from New York, for example, wishing to get to Buenos Ayres, must either take passage to Rio de Janeiro and there transship to one of the European lines touching at that port en route to the South, or they must cross the Atlantic and transship in some European port to a steamer sailing to Buenos Ayres. If they wish to get to Chile they may go via the Isthmus of Panama, suffering the inconvenience of transfer to the Panama Railroad and to one of the west coast steamship lines, or they may go to Rio de Janeiro or Montevideo and there transship to a steamer of the Pacific Steam Navigation Company's line running through the Straits of Valparaiso, or they may go to Liverpool or Hamburg and there take steamer direct to Valparaiso. The passenger from Europe, on the other hand, wishing to go to the River Plata, has the choice of half a dozen first-class lines and several inferior ones. If his destination is Valparaiso he has at least two direct lines."

This has come about from the liberal policy of European governments, which, by subsidy or state aid in other form, have provided excellent mail and shipping facilities for their manufacturers and merchants.

OUR WRETCHED MAIL SERVICE.

Special Agent Hutchinson adds:

"As in Brazil, so in Chile and the River Plata, there is universal complaint that the mail service to and from the United States is inadequate. If the trouble were only in the length of time required for the delivery of mails, the inconvenience would be sufficiently great, but far more serious is the irregularity, infrequency, and uncertainty of the service."

Speaking of South America in general and of the methods of the foreign steamship companies, Mr. Hutchinson says:

"There is abundant reason for believing that this granting of 'special rates' in actual practice reduces the European rates on many important classes of goods to below the American rates, and that the general impression that our freight charges are somewhat higher than the European is justified. Just what the extent of this excess is it is impossible to say, but the more conservative business men of Valparaiso, for example, place it at about 25 per cent."

Summing up his observations in South America, Special Agent Hutchinson declares:

"The passenger service from the United States is greatly inferior in all respects to that from Europe, and the American people have little inducement to visit and get personally acquainted with commercial and industrial conditions existing in these South American countries. This will remain true until direct lines of first-class passenger steamers ply between New York and the River Plata and a quicker and better service is inaugurated on the west coast from Panama southward to Valparaiso."

As to the American mail service on both the east and west coasts, Mr. Hutchinson says that it is "extremely unsatisfactory."

As to the important matter of cargo steamship service he declared:

"Freighting facilities from New York to Chile and the River Plata are inferior to those from Europe, both as regards frequency, regularity, and time required for delivery, and as to rates."

And he concludes:

"Improvement in the interest of new connections, especially in Chile, would be effected by the establishment of a new line doing a strictly shipping business."

AMERICAN SHIPS ALMOST UNKNOWN.

Our pitiable share of the shipping trade of the most important country on the west coast of South America is thus stated, in the Daily Consular and Trade Reports for February 10, 1906, by Consul Mansfield, at Valparaiso:

"In the total number of ships entering and clearing at the several ports of Chile those flying the Chilean flag numbered 5,684, of which 5,041 were steamers and 643 sailing vessels. Of the foreign nations Great Britain represented nearly one-half the total tonnage, with 8,422,000 tons. Germany was second, with 3,000,000 tons. American shipping interests were represented by 33 steamers and 6 sailing vessels, with a tonnage of 131,879 and 3,728 tons, respectively. The total tonnage of all vessels entered was 17,700,000 tons; of the vessels cleared, 17,320."

What is true of Chile is also true of Ecuador. Hon. Archibald J. Sampson, American minister of Quito, states:

"I was informed recently by a prominent merchant here that he would like to deal with New York, but that the freight rates from that city on some of his purchases were fivefold greater when received at Guayaquil than like freight from Hamburg, which was a practical prohibition on American trade."

Germany has steamship lines under her own flag encircling South America. The United States has none at all.

CHOKING OUR TRADE WITH OTHER MARKETS.

That our lack of American ships chokes American export trade to other markets besides those of South America is demonstrated in this statement of Consul Jackson, in the Daily Consular and Trade Reports of April 16, 1906, on the trade conditions of Syria:

"A direct steamship line between America and the Levant would greatly increase the trade between the two countries. As it is, all goods must be transshipped at Hamburg, Naples, or Liverpool, causing costly and long delays that result seriously to the Syrian merchant when goods are shipped from America."

Germany, of course, is quick to seize the opportunities which we are losing, as shown by this paragraph in the Daily Consular and Trade Reports of March 21, 1906:

"Consul-General Dickinson, of Constantinople, reports that the North German Lloyd Steamship Company and the Deutsche Levant Line have combined to establish new lines to Mediterranean ports and beyond to Constantinople, Odessa, and Batoum. The service will be weekly, commencing in May, and first-class ships will be employed. This is the first venture of the North German Lloyd in pursuit of business in the Mediterranean."

The North German Lloyd is the most heavily subsidized of German steamship companies, receiving \$1,330,000 a year for its East India and Australia service, or almost as much as we give in mail pay to all the lines of steamships under the American flag in all the oceans of the world.

Germany's liberal and enlightened policy as contrasted with our own neglect bears this inevitable fruit, as described in the Daily Consular and Trade Reports of May 5, 1905:

"American subsidies to foreign shipping.—In his annual report, which will be printed in Commercial Relations for 1904, United States Consul John E. Kehl, of Stettin, Germany, states that 3,485 vessels entered at and 3,438 vessels cleared from that port in 1903, not one of which carried the American flag, and then says:

"The sole right of carrying 90 per cent of our exports seems to be deeded over to foreign shipowners, who are thus paid a subsidy in the form of freight charges of \$100,000,000 a year. The marine freight paid by the United States, together with passage money paid by American travelers, will reach 50 per cent of the gross earnings of all ocean-going vessels."

Even in our trade with Europe foreign steamship monopoly is harassing American commercial interests, as appears from the Consular and Trade Reports of March, 1906:

"The irregular freight arrival of American goods at foreign ports is detrimental to export business. Consul Hill, of Amsterdam, says that flour sometimes takes a few weeks in coming from Minneapolis to Amsterdam or Rotterdam, and at other times, by the same regular line of steamers, it takes as many months. The consul adds: 'There is something wrong here.'"

And here is another instance:

"DIRECT SHIPMENT FROM TEXAS TO NORWAY.

"Consul B. M. Rasmusen, of Stavanger, reports the arrival of a cargo of cotton-seed meal direct from Galveston, which is the first direct shipment from the United States to the Norwegian port named. The consul says:

"It gives me pleasure to report that a cargo of cotton-seed meal has just arrived here from Galveston, Tex., which is the first direct shipload from the United States to Stavanger. It was only through persistent efforts on the part of the importer, with such assistance as his consulate was able to render him, that this has been accomplished. The lack of direct transportation facilities and the high freight rates between this port and the United States was brought to my attention two years ago, and I suggested to the importers at that time that a cargo could undoubtedly be delivered here at a much lower rate than that exacted by the importing syndicates if one of the numerous steamers owned in Norway and employed in the fruit-carrying trade of the United States could be chartered when returning home instead of sailing in ballast, as they frequently do. Accordingly this was done, but the project was blocked at every turn by the importing syndicates at Hamburg and elsewhere. I may add that it was only after paying a commission on this cargo to the syndicate that direct shipment was permitted."

ACTIVITY IN AUSTRALIA.

In sharp contrast with our own do-nothing policy is the fine activity now in progress in Australia. Consul-General Bray, at Melbourne, states:

"A new mail contract has been concluded by the Australian government with Burns, Philip & Co., of Sydney, for services to islands in the Pacific. This contract provides that the subsidy under the old contract of \$29,199 per annum shall be doubled until August, 1910.

"The Union Steamship Company of Australia has decided to start a new turbine steamer, *Maheno*, in the Vancouver-Australia mail service, for which they hold a contract with the Australian and Canadian governments. This steamer is a very fast one and has just arrived from England, where it was built to the order of the Union Steamship Company, and with its greater carrying and time-saving capabilities will mean a considerable improvement in the service mentioned.

"In the steamer *Riverina*, another fine vessel just arrived from England, where it was built to the order of Huddart, Parker & Co., a large steamship company in Australia, a new coasting vessel will be added to the Australian mercantile fleet. The *Riverina* is intended for the Sydney-Melbourne and Freemantle passenger and cargo trade, and is 375 feet long by 50 across and has an extra deck amidships.

"Bids are being called for by the Government of New Zealand for a six-weekly refrigerated steam service between New Zealand and South Africa for a period of two years, in alternative forms, one being direct and the other via Freemantle, Western Australia, with permission to call at one other port in Australia. Loading is to be from four selected New Zealand ports in geographical order, and the steamers are to discharge at Durban, Port Elizabeth, and Cape Town, and to be not less than 2,500 tons register and 10 knots speed."

FOREIGN COMBINATIONS TO SUPPRESS AMERICAN TRADE.

Of course the European steamship companies which now do nine-tenths of our ocean carrying, look first after the interests of their own countries, of their own merchants and manufacturers, and do not want to see American trade increase so long as they can extort sufficient freight rates from the present

volume of American commerce. These foreign steamship companies form hard-and-fast trusts and combinations wherever necessary to control American trade and balk the efforts of our manufacturers and merchants. An American steamship owner of New York City thus described one of these foreign steamship "combines" in a letter to the Merchant Marine Commission:

"There is a combination under the name of the 'Conference Line,' which runs from New York to Manila, Hongkong, Yokohama, and Kobe, all English and foreign-owned steamers. The New York representatives of the Conference Line are Barber & Co., Funch, Edye & Co., the American-Asiatic Steamship Company, and Howard, Houlder & Rowat. These lines work together; their sailings do not conflict, and they absolutely control rates. If you telephone to Funch, Edye & Co. for a rate to Manila and they do not have the first steamer sailing, they will refer you to one of the Conference Line steamers. If a large block of tonnage is to be shipped, and they fear competition from others, they have to cable to the head of the Conference Line in England for a special rate. You can readily see that we need assistance to American steamers to break up this combination."

"New York conference rates" are frankly advertised in the Singapore Exchange Market Report, from the 28th of December, 1905, to the 3d of January, 1906.

The foreign steamship houses of New York, described as making up this combination, have all been conspicuous in the New York Maritime Exchange and elsewhere for bitter hostility to the work of the Merchant Marine Commission and to everybody interested in the building up of an American merchant marine. They dread the effect of the pending shipping bill on their combination or trust, and also its effect in increasing American exports in competition with the goods of their own countries.

THE EAST INDIA "COMBINE."

Consul-General Wilber, at Singapore, in the Daily Consular and Trade Report of March 14, 1906, thus confirms what the American shipowners write to the Merchant Marine Commission as to this foreign steamship "combine" or trust in our East India commerce. Mr. Wilber says:

"In regard to the matter of advance in freight rates, there is in existence a shipping conference, composed of lines running out of New York to far eastern ports. This conference is a combination, or pool, and is composed in part of the Barber Line, East Asiatic, and some of the Standard Oil steamships, all of which are under the English flag. In this pool, also, is the Hamburg-American line. A rebate of 10 per cent is paid to all shippers at the end of each year, providing said shippers have patronized no vessels outside of the conference. If they have done so, they lose this rebate. Consequently, the combination controls the freight both ways between Atlantic coast ports and the Far East.

Consul-General Wilber thus describes the motive of this foreign steamship combine, and the most effective way of breaking its grip on the throat of American commerce:

"This is a move on the part of the European conference to aid English and German dealers in East Indian products to regain control of the business, which they have been gradually losing. What is needed throughout this section of the world is an American line of steamers under the American flag, running from New York through the Suez Canal to the far eastern ports regularly every two weeks and entirely independent of any conference or combination."

THE SOUTH AFRICA MONOPOLY.

This East India "Conference Line" is not the only combination which foreign shipowners have recently formed to "squeeze" the Yankees, as appears from the Daily Consular and Trade Reports of April 14, 1906:

"FREIGHT RATES INCREASED—COMPLAINTS OF SHIPPERS ARE OF NO AVAIL.

"Consul Hollis, of Laurengo Marquez, writes that it is a well-known fact to all engaged in South African trade that the freight rates between New York and South and East Africa have been steadily raised during the past few months, until they now stand at figures about 75 per cent higher than those of six months ago. The consul continues:

" 'This increase in rates has been brought about by the independent lines (I might almost say line, for there was really only one independent line) joining the "conference," which fixes the freight rates between England and South Africa and between New York and South Africa as well.' "

* * * * *

" 'With regard to the rebate system, it appears that, under the laws of England, as well as those of the South African colonies, the steamship companies have a perfect right to grant or to withhold rebates as they see fit. Payments of rebates are always deferred for many months, and the unfortunate shipper who may happen to ship by any vessel outside of the "conference" lines can thus be deprived of all of his deferred rebates and with no chance of being able to recover them even by suit at law.' "

The Canadian government subsidizes a steamship line from Canadian ports to South Africa. Canadian export commerce to that market is naturally increasing very rapidly, while American exports are far less than they were several years ago. While the foreign steamship conference increases freight rates on American merchandise 75 per cent, and throttles American commerce out of the port of New York, Canadian manufacturers and merchants enjoy a freight rate from \$2 to \$3 per ton below the rate exacted on American merchandise by the foreign combination. There is no American steamship line to South Africa, but the shipping bill of the Merchant Marine Commission provides for such a line, with a subvention of \$187,500 for a monthly and \$375,000 for a fortnightly service.

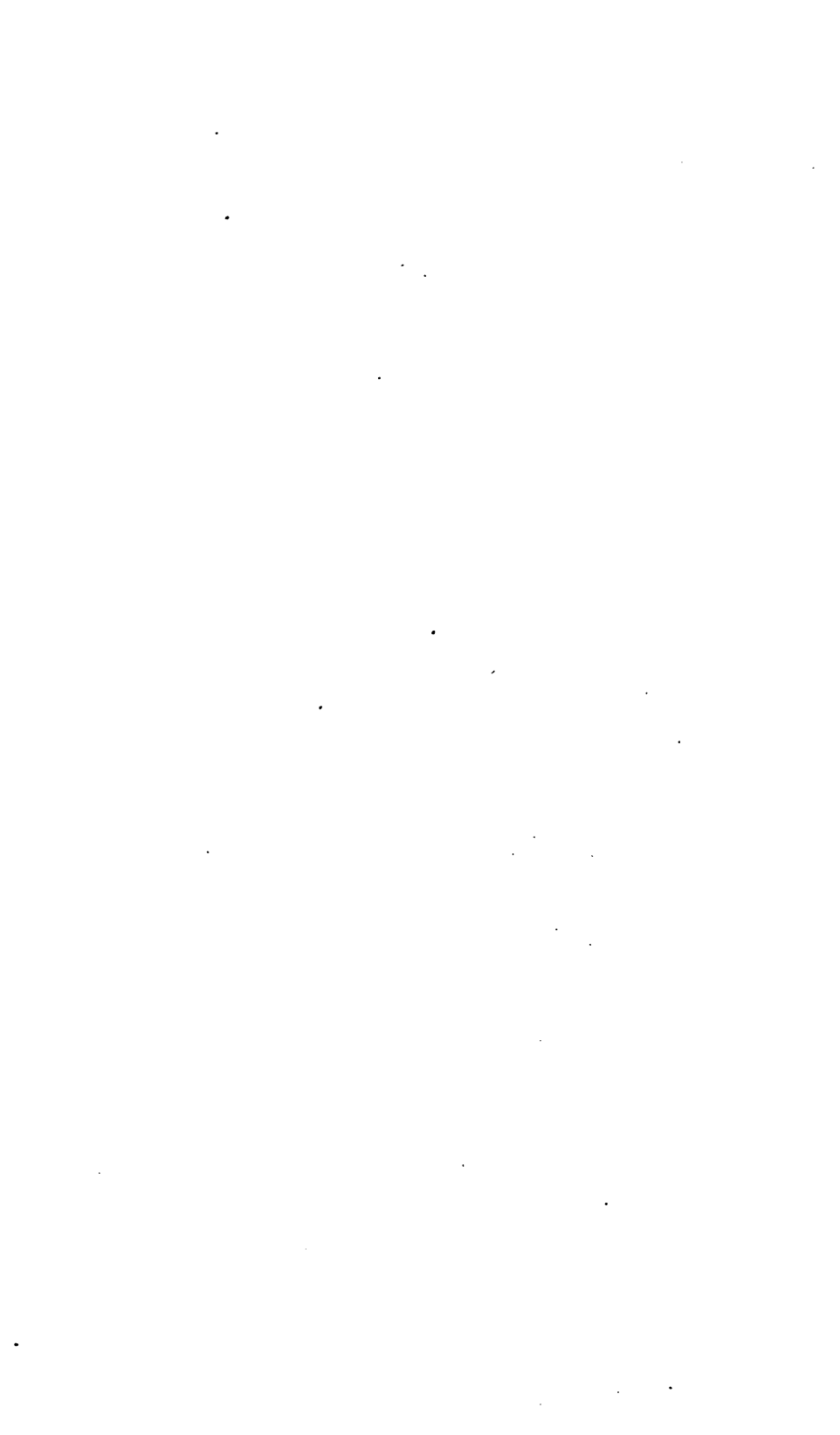


THE MERCHANTS' ASSOCIATION OF NEW YORK—SUBSIDY FOR
AMERICAN SHIPS ONLY—PAMPHLET IV.

TO ENCOURAGE AND PROMOTE SHIPBUILDING
IN THE UNITED STATES.

AMENDMENTS PROPOSED TO SENATE BILL 529 AND MEMO-
RANDUM IN SUPPORT THEREOF, THESE AMENDMENTS
BEING ESSENTIAL TO EFFECTUATE THE PRI-
MARY PURPOSE OF THE BILL.

NEW YORK, MARCH 28, 1906.



FOR THE ENCOURAGEMENT OF AMERICAN SHIP-BUILDING.

Inasmuch as some misconception has arisen in some quarters regarding the attitude of the association, it may be well to state at the outset that it has for years consistently advocated subsidies for the encouragement of American shipbuilding. In its various pamphlets regarding subsidies, it has never swerved from this position: That the Government should, by subsidies, or subventions, stimulate the building of American ships in American shipyards. But at the same time it has with equal steadfastness opposed the grant of any subsidy to vessels of foreign construction which might be admitted to American registry, and it has strenuously opposed features in the various subsidy bills considered by the Fifty-seventh, Fifty-eighth, and Fifty-ninth Congresses which would create a situation presenting the alternative on the one hand of a delayed improvement in the ocean mail service, or on the other hand the admission of foreign tonnage to United States registry in order promptly to supply such service. All its pamphlets have announced this policy in their title: "Subsidy for American ships only."

Its first pamphlet, issued December 26, 1900, while favoring generous subsidies to encourage American shipbuilding set forth "Reasons why a privileged class of low-cost foreign-built ships should not receive a subsidy intended to promote American shipbuilding;" and it succeeded in defeating the ship-subsidy bill reported to the Fifty-sixth Congress, which would have benefited foreign tonnage to the detriment of American-built ships.

Its second pamphlet, issued March, 1902, contained "Correspondence exchanged with Senator Frye, stating objections to the phraseology of Senate bill No. 1348, as preparing the way for a payment of a subsidy to tonnage of foreign construction."

Its third pamphlet, issued January, 1906, reaffirms its position. The association heartily favors a liberal subsidy from the Government to the product of American shipyards exclusively. It has always opposed and will oppose to the last extremity any subsidy bill that, directly or potentially, enables the product of foreign shipyards to derive a bounty from the United States Government under any circumstances whatever, because this would only serve as an impediment to the development of American shipyards.

FORMER SUBSIDY BILL DEFECTIVE.

The subsidy bill considered by the Fifty-seventh and Fifty-eighth Congresses being also defective from our standpoint in not safeguarding the subsidy from probable diversion to foreign tonnage, we proposed an amendment which, in terms, would absolutely exclude foreign tonnage from any subsidy grant.

The association has again, and more recently, reaffirmed its position, in correspondence with Hon. J. H. Gallinger, chairman of the Merchant Marine Commission, and a member of the Senate Committee on Commerce, and with Hon. Charles H. Grosvenor, chairman of the Committee on the Merchant Marine and Fisheries of the House of Representatives; and in particular it pointed out to Senator Gallinger several glaring defects in the bill while it was under consideration by the Senate. Some of our objections were remedied by amendments in the Senate, but other objections of equal or greater importance were ignored.

PRINCIPLE OF SUBSIDIES FAVORED.

Our objections to the present ship-subsidy bill (S. 529) are not aimed at the principle of subsidies, but are due to the fact that the present bill does not adequately safeguard the shipbuilding interests of the United States. The bill, if less openly in favor of a special class than the bill which was defeated in the Fifty-sixth Congress, after it had been favorably reported to the Senate and to the House of Representatives by their respective committees, is none the less subject to the objection which

the association has persistently registered to prior subsidy bills—that a loophole is left open for the enjoyment of the benefit of the proposed legislation by foreign-built tonnage. Any legislation which even potentially permits foreign tonnage to obtain the subvention or subsidy contemplated by the bill in question would be class legislation of the worst kind. The possible diversion of the proposed subsidy to foreign tonnage must be prevented by all means, if American shipbuilding is to benefit. Every avenue for such diversion must be closed. No foreign tonnage, even though it be owned by citizens of the United States, shall hereafter be permitted to become the beneficiaries of the proposed subsidy, or the primary (and what, in the opinion of all patriotic Americans, should be the exclusive) purpose of subsidy legislation would be frustrated.

ERRORS OF FORMER MEASURES.

That, however pure and patriotic their motives, the framers of the proposed legislation have not clearly kept in mind the danger and the evil of admitting foreign-built tonnage to the benefits of subsidy legislation shows the necessity for such pamphlets as the association has put forth. For example, Senator Gallinger, who seems to have misconstrued the attitude of the association, has stated that “until American vessels are purchased or constructed, our mails to South America and elsewhere that now go under foreign flags can continue to go under foreign flags.” In the word “purchased” lies the danger against which the warnings of the association have been persistently directed. The only ships which could be purchased would be foreign-built tonnage.

These preliminary observations are essential to remove misconception of our position. We repeat: The admission to United States registry of foreign-built tonnage can not give the slightest possible impetus to the American shipbuilding industry; it would tend in the contrary direction: The primary and exclusive purpose of any true shipping-subsidy legislation is to stimulate the building of American ships in American shipyards.

The Merchants' Association proposes that every dollar of the subventions to be granted by Congress shall be devoted to the creation of a genuine American mercantile marine, the product of our own shipyards, through the investment of American capital and the employment of American labor. It does not intend that the slightest fraction of the proposed subsidy shall be diverted to any other purpose. It shall be through no fault or lack of warning on the part of the association if the benefits to American shipbuilding, of which it is a staunch advocate, shall be sacrificed in whole or in part to favor a class of foreign vessels. Such a result would infallibly defeat the purpose of genuine subsidy legislation.

FOREIGN TONNAGE MUST NOT BE BENEFITED.

It is obvious that the present subsidy bill, if designed solely and exclusively to encourage American shipbuilding, and not insidiously to enrich a class of American owners of foreign-built ships, should declare in the most explicit, unqualified, and unequivocal language that the proposed subventions shall never inure for the benefit of foreign tonnage, and that no change shall hereafter be made in the proposed legislation which shall deprive the American shipbuilder of the fruits of the efforts which Congress is asking him to make. The American shipbuilder, before investing his capital upon the faith of the proposed enactment, has a right to be assured by Congress that no foreign tonnage that may hereafter be admitted to registry in the United States shall become entitled to or receive any subvention, subsidy, bounty, or advantage from the Treasury of the United States. Such a clause should be inserted as a necessary inducement to the American shipbuilder. Justice to him requires that Congress, in no uncertain terms, shall announce that he, and he alone, shall be the beneficiary of all proposed subsidies and subventions. No ambiguity, obscurity, or equivocation should be tolerated for an instant. If the intent of the legislation is to benefit him, and him alone, to induce him to embark his capital in the creation of a fleet of new steamships and sailing vessels, the bill should, in the plainest terms, say so. The Merchants' Association, in standing for the insertion of such a clause, is the real friend and defender of the interests of the American shipbuilder.

That our insistence is neither unnecessary nor ill timed is obvious from the fact that a large fleet of foreign tonnage owned by citizens of the United States is well adapted to the mail requirements of the pending bill, and could easily be qualified by admission to American registry. The possibility of the admission of foreign-built ships to the benefits of the proposed subventions and subsidies would render hopeless the construction of American ships.

HOME CONSTRUCTION MUST BE PROMOTED.

It has been insidiously urged that the admission of 1,000,000 tons of foreign tonnage to United States registry en bloc would at once give us an efficient merchant marine. But the acquisition of such a fleet of ships would not create the facilities for replacing, repairing, or overhauling, so essential, particularly in time of war; and, most important of all, such acquisition would destroy the incentive to home construction and indefinitely delay the development of our own shipyards. Hence our insistence upon securing to our own shipbuilding industry all the bounty that Congress proposes to give—an insistence that has been fallaciously treated as opposition to ship subsidies.

In the light of these considerations we bespeak attention to the amendments suggested herein, every one of which is predicated upon the idea of fostering and promoting shipbuilding at home.

PROPOSED AMENDMENTS.

In section 2, page 4, commencing after (a), in line 6, strike out the residue of the page and substitute the following:

"for each vessel which has been engaged in the foreign trade by sea or the deep-sea fisheries for a period of twelve months, including time necessarily consumed in receiving or discharging cargo, or not to exceed two months in making annual or extraordinary repairs, where a steam vessel, the sum of five dollars per gross registered ton, and where a sailing vessel, the sum of three dollars per gross registered ton; (b) for each vessel which, during any twelve consecutive months, has been engaged in the foreign trade by sea or the deep-sea fisheries for a period of nine months or over, but less than twelve months, including time necessarily consumed in receiving or discharging cargo or not to exceed one month in making extraordinary repairs, where a steam vessel, the sum of four dollars per gross registered ton, and where a sailing vessel, the sum of two dollars and fifty cents per gross registered ton; (c) for each vessel which, during any twelve consecutive months, has been engaged in the foreign trade by sea or the deep-sea fisheries for a period of six months or over, but less than nine months, including time necessarily consumed in receiving or discharging cargo or not to exceed one month in making extraordinary repairs, where a steam vessel, the sum of two dollars and fifty cents per gross registered ton, and where a sailing vessel, the sum of one dollar and fifty cents per gross registered ton."

DIFFERENTIAL SUBSIDIES FOR SAILING AND STEAM VESSELS.

This amendment provides for a payment, different in amount, per gross registered ton, to steam vessels and sailing vessels. The theory underlying the subvention designed in section 2 is that the cost of construction and the cost of operation of American vessels is about 25 per cent greater than the cost of construction and of operation of foreign vessels. The association assumes that the figures mentioned in the section are, in the opinion of the Merchant Marine Commission, just and adequate in the case of steam vessels. But inasmuch as it costs less to build a sailing vessel than a steam vessel, and as the cost of operation of a sailing vessel is much less than that of a steam vessel, justice to steam vessels requires that the proposed subvention should be larger for them than for sailing vessels; and therefore our amendment scales down the proposed subvention in the case of sailing vessels, in order that steam construction shall not be put at a disadvantage with the construction of sailing ships.

ENROLLMENT OF TONNAGE IN PHILIPPINE TRADE.

2. In section 2, page 6, at the end of line 3, add:

"The additional subvention provided in this section to be paid to vessels employed in trade between the United States and the Philippines or in trading between ports and places in the Philippine Archipelago shall be conditioned upon the enrollment of such tonnage regularly trading between ports and places in the Philippine Archipelago and home ports in the United States or regularly trading between ports and places in the Philippine Archipelago and other ports and places in the Philippines; and in order to entitle themselves to such subvention, the owners of such tonnage shall establish to the satisfaction of the Secretary of Commerce and Labor that upon every voyage made outward and homeward at least fifty per centum of the entire capacity of the vessel or vessels so enrolled shall actually have been employed in the transportation of merchandise or products between ports and places in the Philippine Archipelago and home ports in the United States or between ports and places in the Philippine Archipelago and other ports and places in the Philippine Islands."

AMENDMENT NECESSARY TO PREVENT EVASION.

In the provisions made in section 2 of the bill for an additional subsidy to tonnage engaged in the Philippine commerce, an amendment is necessary to safeguard the purpose intended and to prevent evasion. Under the terms of the present bill large steamers trading between our Pacific ports and the Orient may, by calling at the Philippine Islands with an insignificant quota of cargo on each voyage, secure an additional subsidy of \$1.50 per ton on the entire gross tonnage of the steamer. A steamer of 10,000 tons gross register, for instance, with 100 tons or less of cargo for Philippine ports on each voyage, would become entitled to an additional subsidy of \$15,000 per annum, which is manifestly opposed to the intention of the bill.

TO STIMULATE COMPETITION.

3. In section 5, page 9, strike out "five," line 7, and insert "three;" strike out "ten," line 8, and insert "five."

To stimulate the work of our shipyards it seems wise, by limiting the terms to the earliest eligible applicants, to open the way for later tonnage of home construction to compete for these mail routes, sooner than the bill allows.

TO PROVIDE FOR PROVISIONAL MAIL CONTRACTS.

4. At the end of section 5, page 10, line 8, insert as follows:

"That until it shall become practicable for the Postmaster-General to establish in the manner prescribed by this section the ocean mail service on the routes prescribed in section 6 of this act he is hereby authorized and directed to enter into contracts for periods not less than three nor more than five years for the carrying of mails upon any of the routes enumerated in section 6 of this act with any suitable tonnage that may be available for the purpose, such contracts to be made, in the manner hereinafter prescribed, with the lowest responsible bidder for the performance of the said service on any of said routes. And all the provisions of the act of March 3, 1891, entitled 'An act to provide for ocean mail service between the United States and foreign ports and to promote commerce,' so far as the same are applicable, except the provisions thereof requiring the vessels employed in the mail service to be American-built steamships, are hereby made applicable in all respects to the provisional mail contracts herein provided for.

"The lowest bid by vessel or vessels built in the United States, or before the date of the passage of this act duly registered in the United States, to furnish the required service shall be accepted, if the price per year shall not exceed the amount of the yearly subvention herein provided for service upon the same route; but in the event that no bid that can be accepted by the Postmaster-General under the provisions of this act shall be made by vessel or vessels built in the United States or by those which before the passage of this act were duly registered in the United States, the lowest bidder shall be awarded the contract, provided in the case of a bid made on behalf of foreign tonnage the amount of such bids shall not exceed one-half of the annual subvention prescribed by this act for service over the same route; and the terms of this clause and the speed requirements prescribed in section 6 of this act shall form part of the published advertisement for bids."

INSUFFICIENT TONNAGE OF AMERICAN REGISTRY.

The reasons for urging this amendment have been repeatedly stated in the pamphlets and correspondence of the association. There is not at present sufficient tonnage of American registry to enable the Postmaster-General immediately to carry out the mandatory directions of the proposed bill, nor can there be an adequate amount for several years to come, while the requirements of commerce demand an improved and efficient mail service at the earliest practicable moment—earlier than the new tonnage could be built. These needs of commerce would of themselves form a powerful ally to the fleet of foreign tonnage owned by citizens of the United States in securing early registry for its ships and will provoke a request for permission to perform this service, under the operation of the subsidy proposed. The immediate establishment of new ocean mail routes would be more beneficial to our foreign commerce than if such establishment had to be postponed until our own shipyards furnish the ships. Recognizing the imminent need of an improved direct mail service on the routes covered by the bill, we have proposed that the Postmaster-General should, until an adequate number of American steamships shall have been constructed in American shipyards, be authorized and directed to make provisional

contracts for improved mail service upon the proposed routes, by inviting bids from American-built ships so far as the same are now available, and if contract can not be made with American-built ships, by inviting competitive offers from suitable tonnage of any registry.

MAIL SERVICE NOT TO BE DELAYED.

But, with the advantage to the American-built ship always in mind, the amendment provides that in case a contract can not be let to an American-built vessel at a yearly price not in excess of the yearly subvention proposed by sections 5 and 6 of the bill, the improved mail service shall nevertheless not be delayed, but that contracts may be let to foreign tonnage, provided no such foreign tonnage shall receive a sum per year in excess of one-half of the amount of the yearly subvention intended for future American-built ships, when the provisions of sections 5 and 6 shall come into full operation.

NO DIVERSION OF THE SUBSIDY CONTEMPLATED.

This amendment is not aimed, in any sense, at the diversion of the subsidy or subvention contemplated by the bill. That is to be preserved intact and paid to ships of American construction, as soon as the Postmaster-General is able to arrange with such ships for the proposed mail service ultimately to be established. The amendment requires public letting of the provisional or ad interim contracts, and gives the preference to American tonnage if there be any such tonnage qualified to bid for the provisional service.

SUBSIDY TO BE RESERVED FOR AMERICAN TONNAGE.

As was stated by the association in a letter to Senator Gallinger, March 15, 1906, "Our amendment would hold the proposed subsidy absolutely in reserve for tonnage of the United States, and provide for service in the meantime, not by a subsidy, but by the most advantageous contracts that can be made in competition. You say that 'our mails that now go to South America under foreign flags can continue to go under foreign flags,' then we ask why not stipulate in the bill, for an immediate improved direct service, because, as you are aware, the present direct service upon the routes, where it exists at all, is unworthy of the name.

"You will thus see that you have completely misapprehended the intention and effect of our suggested amendment, and even from your own point of view, as stated, we can not see what objection there can be to its adoption.

"The amendment, as already stated, is intended to assure absolutely and exclusively the proposed subsidy to tonnage built in the United States, and in the meantime afford our commerce an improved mail service very much needed, as shown by the report of your commission."

MAIL ROUTES MAY BE IMMEDIATELY ESTABLISHED.

In the criticism made upon the attitude of the Merchants' Association it is asserted that the subsidy bill in its terms proposes that the mail subsidy shall be available only to American-built vessels or those now registered as tonnage of the United States. It is evident that in thus limiting the mail subsidy the new mail routes prescribed by the bill must wait for the construction of American tonnage before they can be established. These new mail routes are an imminent need of commerce and can be established in the near future only by the "purchase" and admission of foreign tonnage to United States registry, whereas under the amendment advocated by the Merchants' Association the mail routes may be immediately established by making provisional contracts with any suitable tonnage until tonnage of United States construction is available.

PROVISION FOR EFFECTIVE SPEED REQUIREMENTS.

5. In subdivision 11, section 6, page 13, strike out lines 15, 16, 17, 18, 19, 20, and part of 21, through the word "weather," and insert instead:

"*Provided*, That the requirements of this section as to the rates of speed shall be deemed to be complied with if during a trial of four hours' continuous steaming at sea in ordinary weather in water of sufficient depth to make the test a fair one a rate of speed at least twenty per cent greater than the prescribed rate shall be developed to the satisfaction of the Postmaster-General, and if the owner of such vessel shall establish to the satisfaction of the Postmaster-General that said vessel has been main-

tained in a condition to develop and that she has actually developed and shall maintain the prescribed rate of speed at sea in ordinary weather. If such vessel shall fail to maintain such prescribed rate of speed at sea in ordinary weather, the contract may be terminated at the discretion of the Postmaster-General."

In order to insure efficient mail service it is essential that these speed requirements should be adopted. A vessel, in a probationary trial of speed, will exceed by 20 or even 25 per cent the speed actually attainable at sea in ordinary weather. Hence our amendment is requisite, if an efficient mail service fulfilling the various speed requirements of section 6 is to be established.

FOREIGN TONNAGE EXPRESSLY DEBARRED FROM SUBSIDY.

6. Add:

"SEC. 11. The intention of this act being, among other things, the promotion and encouragement of the shipbuilding industry in the United States, it is expressly provided that no foreign tonnage that may ^a be admitted to registry in the United States shall become entitled to or receive any subvention, subsidy, bounty or other advantage provided by this act."

The vital nature of this amendment has been shown in the preliminary observations made in this brief. We regard it as essential to the American shipbuilder. If Congress does not mean merely "to keep the word of promise to the ear, but break it to the hope," we fail to understand why the amendment should be refused. Congress, by section 10, has protected the Government against the obligation to continue subsidy legislation in existence, if it should be found inadvisable; and in justice to persons who may hereafter contract with the Government, has, in that section, provided that such contracts shall not be abrogated with the possible repeal of the legislation. Far more important is it that Congress shall make the most unequivocal declaration that if American capital shall devote itself to the shipbuilding industry, the subsidies and bounties contemplated by this act shall not be diverted from the shipbuilders who, upon the faith of the proposed legislation, have embarked their money in creating a real mercantile marine. In urging this amendment we represent the genuine interests of the American shipbuilder. There should be no shadow of doubt that he, and he alone, under an enactment designed to promote the shipbuilding industry, shall be the sole usufructuary of this legislation.

CONCEDED OBJECTIONS TO FORMER SUBSIDY BILLS.

The validity of the objections of the Merchants' Association to the subsidy bill defeated in the Fifty-sixth Congress was recognized by Senator Frye, who expressed regret that these objections had not been presented to the Committee on Commerce of the Senate and the Committee on the Merchant Marine and Fisheries of the House of Representatives before the bill was reported from these committees.

Again, the soundness of the objections of The Merchants' Association to the bill which was defeated in the Committee on the Merchant Marine and Fisheries of the Fifty-seventh Congress was recognized by Senator Frye in a general amendment which he adopted, at the request of The Merchants' Association, specifically prohibiting foreign tonnage from admission to United States registry or from enjoyment of the benefits of the bill. This general amendment, however, was in conflict with the text of the bill itself, as The Merchants' Association pointed out to the Committee on the Merchant Marine and Fisheries, and it therefore requested that the mandatory feature of the bill, as applied to mail subsidies, be deferred until tonnage of United States construction should become available to meet the requirements of the bill. The necessity for such an amendment to make the bill consistent in its terms, and to preserve the subsidy provided for tonnage of United States construction, was evidently appreciated by the Committee on the Merchant Marine and Fisheries, inasmuch as it declined to report the bill. Precisely the same situation confronts us at present, and we are simply asking for an amendment that will make effective the avowed intention of the advocates of the bill.

Respectfully submitted.

G. L. DUVAL, *Chairman*,
WM. R. CORWINE,
THOS. H. DOWNING,
HENRY R. TOWNE,

Committee on Ship Subsidies and Shipping, The Merchants' Association of New York.

J. HAMPDEN DOUGHERTY,
Counsel.

NEW YORK, March 28, 1906.

^a After the date of the passage of this act.

AN ACT to promote the national defense, to create a Naval Reserve, to establish American ocean mail lines to foreign markets, and to promote commerce.

[Explanation: Matter in italic, an amendment is to be added; matter in brackets [] is provision of bill to be omitted.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there shall be enrolled, in such manner and under such requirements as the Secretary of the Navy may prescribe, from the officers and men now and hereafter employed in the merchant marine and fisheries of the United States, including the coastwise trade of the Atlantic and Pacific and the Great Lakes, such officers, petty officers, and men as may be capable of rendering service as members of a Naval Reserve, for duty in time of war, and who are willing to undertake such service, to be classified in grades and ratings according to their capacity as shown at time of enrollment. No man shall be thus enrolled who is not a citizen of the United States, either by birth or naturalization. These members of the Naval Reserve shall be enrolled for a period of four years, during which period they shall be subject to render service on call of the President in time of war. They shall also possess such qualifications, receive such instruction, and be subject to such regulations as the Secretary of the Navy may prescribe. The Secretary of the Treasury is hereby authorized and directed, upon proper audit by the Auditor for the Navy Department, to pay, out of any money to be annually appropriated therefor upon estimates to be annually submitted to Congress in the Book of Estimates, to each officer, petty officer, or man thus enrolled and employed in the merchant marine or fisheries, including the coastwise trade of the Atlantic and Pacific and the Great Lakes as hereinafter provided, an annual retainer as follows: For each officer of the line or Engineer Corps, having the rank of lieutenant of the Naval Reserve, one hundred and ten dollars; for each officer of the line or Engineer Corps, having the rank of lieutenant (junior grade) in the Naval Reserve, ninety dollars; for each officer of the line or Engineer Corps, having the rank of ensign in the Naval Reserve, eighty dollars; for each man with a rating of chief petty officer, seventy dollars; for each man with a rating of petty officer, first class, sixty dollars; for each man with a rating of petty officer, second class, forty-eight dollars; for each man with a rating of petty officer, third class, forty dollars; for each seaman, first class, thirty-six dollars; for each seaman, second class, thirty dollars; for each seaman, third class, twenty-four dollars. Such retainer shall be paid at the end of each year of service on certificate, by the Secretary of the Navy, that the member of the Naval Reserve has satisfactorily complied with the regulations, and on certificate by the Secretary of Commerce and Labor that such member has served satisfactorily for at least six months of the preceding twelve months on vessels of the United States in the merchant marine or in the deep-sea fisheries. The total number of officers, petty officers, and men enrolled in the Naval Reserve shall not at any time exceed ten thousand.

SEC. 2. That in the interest of the national defense and for the performance of the public services hereinafter specified, after July first, nineteen hundred and seven, the Secretary of the Treasury is hereby authorized and directed to pay, subject to the provisions of this act, out of any money in the Treasury to be annually appropriated therefor upon estimates to be annually submitted to Congress in the Book of Estimates, to the owner or owners of any steam vessel of over one thousand gross tons, and of any sail vessel of over two hundred gross tons, and fishing vessel of over twenty gross tons^a duly registered by a citizen or citizens of the United States (including as such citizens any corporation created under the laws of the United States or any of the States thereof), engaged exclusively as a common carrier for the service of the public, subventions as hereinafter provided; that is to say, (a) [the sum of five dollars per gross registered ton for each vessel which has been engaged in the foreign trade by sea or the deep-sea fisheries for a period of twelve months, including time necessarily consumed in receiving or discharging cargo, or not to exceed two months in making annual or extraordinary repairs; (b) the sum of four dollars per gross registered ton for each vessel which, during any twelve consecutive months, has been engaged in the foreign trade by sea or the deep-sea fisheries for a period of nine months or over, but less than twelve months, including time necessarily consumed in receiving or discharging cargo or not to exceed one month in making extraordinary repairs; (c) the sum of two dollars and fifty cents per gross registered ton for each vessel which during any twelve consecutive months has been engaged in the foreign trade by sea or the deep-sea fisheries for a period of six months or over, but less than nine months, including time necessarily consumed in receiving or discharg-

^a After the date of the passage of this act built in the United States and registered therein, or before said date.

ing cargo or not to exceed one month in making extraordinary repairs.] for each vessel which has been engaged in the foreign trade by sea or the deep-sea fisheries for a period of twelve months, including time necessarily consumed in receiving or discharging cargo, or not to exceed two months in making annual or extraordinary repairs, where a steam vessel, the sum of five dollars per gross registered ton, and where a sailing vessel, the sum of three dollars per gross registered ton; (b) for each vessel which, during any twelve consecutive months, has been engaged in the foreign trade by sea or the deep-sea fisheries for a period of nine months or over, but less than twelve months, including time necessarily consumed in receiving or discharging cargo or not to exceed one month in making extraordinary repairs, where a steam vessel, the sum of four dollars per gross registered ton, and where a sailing vessel, the sum of two dollars and fifty cents per gross registered ton; (c) for each vessel which, during any twelve consecutive months, has been engaged in the foreign trade by sea or the deep-sea fisheries for a period of six months or over, but less than nine months, including time necessarily consumed in receiving or discharging cargo or not to exceed one month in making extraordinary repairs, where a steam vessel, the sum of two dollars and fifty cents per gross registered ton, and where a sailing vessel, the sum of one dollar and fifty cents per gross registered ton.

The subventions provided for in this section shall not be paid to:

(a) A vessel for a voyage on which the principal part in bulk of her cargo shall have been transported from one port of the United States to another port of the United States, as provided in section forty-three hundred and forty-seven of the Revised Statutes as amended by the acts of February fifteenth, eighteen hundred and ninety-three, and February seventeenth, eighteen hundred and ninety-eight.

(b) A vessel while exclusively employed in carrying between foreign ports.

(c) A vessel for a voyage extending only to a foreign port less than one hundred and fifty nautical miles from her last port of departure in the United States, or from a foreign port less than one hundred and fifty nautical miles from her first port of arrival in the United States.

Sections one and two of an act approved April fifteenth, nineteen hundred and four, entitled "An act to regulate shipping in trade between ports of the United States and ports or places in the Philippine Archipelago, between ports or places in the Philippine Archipelago, and for other purposes," shall not take effect until July first, nineteen hundred and nine, and until that date a vessel of the United States employed in trade between the United States and the Philippines shall receive for the period of its employment in such trade an additional subvention of thirty per centum of the rates provided in this section. After that date a vessel of the United States so engaged shall receive no subvention under this section. *The additional subvention provided in this section to be paid to vessels employed in trade between the United States and the Philippines or in trading between ports and places in the Philippine Archipelago shall be conditioned upon the enrollment of such tonnage regularly trading between ports and places in the Philippine Archipelago and home ports in the United States or regularly trading between ports and places in the Philippine Archipelago and other ports and places in the Philippines; and in order to entitle themselves to such subvention, the owners of such tonnage shall establish to the satisfaction of the Secretary of Commerce and Labor that upon every voyage made outward and homeward at least fifty per centum of the entire capacity of the vessel or vessels so enrolled shall actually have been employed in the transportation of merchandise or products between ports and places in the Philippine Archipelago and home ports in the United States or between ports and places in the Philippine Archipelago and other ports and places in the Philippine Islands.*

A vessel receiving a subvention under this section shall not receive any other subvention, subsidy, or bounty from the Treasury of the United States.

SEC. 3. That before receiving any subvention under the provisions of section two of this act the owner or owners of any vessel shall contract, in writing, with sufficient sureties, with the Secretary of Commerce and Labor to fulfill each and all of the following obligations:

First. That said vessel may be taken and used by the United States for the national defense or for any public purpose, at any time, upon payment to the owner or owners of the fair actual value of the same at the time of the taking, or a fair rate of hire to be agreed upon. And if there shall be a disagreement as to such fair actual value or fair rate of hire between the United States and the owner or owners of such vessel, the United States is hereby authorized and empowered to take the vessel at once, leaving the fair actual value or fair rate of hire to be determined thereafter by two impartial appraisers, one to be appointed by each of said parties, they to select a third, who shall act in such appraisement in case the two shall fail to agree, and the provisions of this subdivision shall be embodied in every contract between the vessel owner or owners and the United States.

Second. That said vessel shall carry, free of charge, the mails of the United States,

when the Postmaster-General shall so require, for the whole or any part of a voyage for which subvention shall be claimed.

Third. That until July first, nineteen hundred and twelve, upon each departure of said vessel from the United States at least one-sixth, and after July first, nineteen hundred and twelve, one-fourth of the crew shall be citizens of the United States or men who have declared their intention to become citizens, and of the navigating force on deck, excluding licensed officers, at least one-half shall be able seamen, who are hereby defined to be men who have had two years' or more experience on deck at sea or on the Great Lakes.

Fourth. That a vessel employed in the foreign trade shall maintain, during the period so employed, at least class A1 if a steam vessel and at least class A1½ if a sail vessel, as such classes are now established by either the Record of American and Foreign Shipping or the United States Standard Owners, Builders, and Underwriters' Association, or equivalent classification in any other register of shipping of at least equal merit.

Fifth. That all ordinary repair or overhauling of said vessel shall be made in the United States, except in cases where dry docking is necessary and no American dry dock of sufficient capacity shall be within a distance of five hundred miles of the location of the ship when the repairs shall be needed.

Sixth. A vessel shall not be entitled to the subvention above provided for unless during the period of employment in the foreign trade or deep-sea fisheries the following proportions of the crew of the vessel after the dates specified shall have been enrolled in the Naval Reserve: After July first, nineteen hundred and eight, one-eighth; after July first, nineteen hundred and twelve, one-sixth; after July first, nineteen hundred and seventeen, one-fourth: *Provided*, That if the foregoing stated proportions of naval reserves can not be obtained at a foreign port with reasonable effort, as certified by the consul, other persons may be substituted until the first return of said vessel to the United States without forfeiture of the subvention.

Sec. 4. That the contracts provided for in section three shall be for a period of one year, and shall be renewed from time to time. At the expiration of each annual contract the owner of the vessel shall be required to prove to the satisfaction of the Secretary of Commerce and Labor, in such manner as the said secretary shall prescribe, that its obligations, each and all, have been satisfactorily complied with. The Secretary of Commerce and Labor shall thereupon certify to the Secretary of the Treasury the amount of subvention to which said owner shall be entitled in fulfillment of said contract and of the provisions of this act, and the Secretary of the Treasury upon proper audit shall thereupon pay the subvention due.

Sec. 5. That the Postmaster-General is hereby authorized and directed to enter into contracts, for a term not less than **[five]** three nor more than **[ten]** five years in duration, with citizens of the United States for the carrying of mails on steamships^a duly registered by a citizen or citizens of the United States (including as such citizens any corporation created under the laws of the United States or any of the States thereof), between ports of the United States and ports on the routes and for the amounts prescribed in section six of this act. All the provisions of the act of March third, eighteen hundred and ninety-one, entitled "An act to provide for ocean mail service between the United States and foreign ports, and to promote commerce," are hereby made applicable in all respects to the services provided for in section six of this act: *Provided*, That the specific rates of compensation provided for in section five of said act shall not apply to the services provided for in section six of this act, and that all ordinary repair or overhauling of a steamship employed and paid for carrying mails under sections five and six of this act shall be made in the United States, except in cases where dry docking is necessary and no American dry dock of sufficient capacity shall be within a distance of five hundred miles of the location of the ship when the repairs shall be needed; and that such a steamship shall not, except as provided in section six of this act, receive any other subvention, subsidy, or bounty from the Treasury of the United States.

That until it shall become practicable for the Postmaster-General to establish in the manner prescribed by this section the ocean mail service on the routes prescribed in section 6 of this act, he is hereby authorized and directed to enter into contracts for periods not less than three nor more than five years for the carrying of mails upon any of the routes enumerated in section 6 of this act, with any suitable tonnage that may be available for the purpose, such contracts to be made, in the manner hereinafter prescribed, with the lowest responsible bidder for the performance of the said service on any of said routes. And all the provisions of the act of March 3, 1891, entitled "An act to provide for ocean mail service between the United

^aAfter the date of the passage of this act built in the United States and registered therein or before the said date.

States and foreign ports and to promote commerce," so far as the same are applicable, except the provisions thereof requiring the vessels employed in the mail service to be American built steamships, are hereby made applicable in all respects to the provisional mail contracts herein provided for.

The lowest bid by vessel or vessels built in the United States, or before the date of the passage of this act duly registered in the United States, to furnish the required service shall be accepted if the price per year shall not exceed the amount of the yearly subvention herein provided for service upon the same route, but in the event that no bid that can be accepted by the Postmaster-General under the provisions of this act shall be made by vessel or vessels built in the United States or by those which, before the passage of this act, were duly registered in the United States, the lowest bidder shall be awarded the contract, provided, in the case of a bid made on behalf of foreign tonnage the amount of such bid shall not exceed one-half of the annual subvention prescribed by this act for service over the same route;^a and the terms of this clause and the speed requirements prescribed in section 6 of this act shall form part of the published advertisement for bids.

SEC. 6. That as soon as may be practicable the Postmaster-General shall establish, in the manner prescribed in section five, the following ocean mail services:

First. From a port of the Atlantic coast of the United States to Brazil, on steamships of the United States of not less than fourteen knots speed, for a monthly service at a maximum compensation not exceeding one hundred and fifty thousand dollars a year, or for a fortnightly service at a maximum compensation not exceeding three hundred thousand dollars a year.

Second. From a port of the Atlantic coast of the United States to Uruguay and Argentina, on steamships of the United States of not less than fourteen knots speed, for a monthly service at a maximum compensation not exceeding one hundred and eighty-seven thousand five hundred dollars a year, or for a fortnightly service at a maximum compensation not exceeding three hundred and seventy-five thousand dollars a year.

Third. From a port of the Atlantic coast of the United States to South Africa, on steamships of the United States of not less than twelve knots speed, for a monthly service at a maximum compensation not exceeding one hundred and eighty-seven thousand five hundred dollars a year, or for a fortnightly service at a maximum compensation not exceeding three hundred and seventy-five thousand dollars a year.

Fourth. From a port of the United States on the Gulf of Mexico to Brazil, on steamships of the United States of not less than twelve knots speed, for a monthly service at a maximum compensation not exceeding one hundred and thirty-seven thousand five hundred dollars a year, or for a fortnightly service at a maximum compensation not exceeding two hundred and seventy-five thousand dollars a year.

Fifth. From a port of the United States on the Atlantic coast south of Cape Hatteras and from a port on the Gulf of Mexico to Cuba, on steamships of the United States of not less than fourteen knots speed, for a weekly service at a maximum compensation not exceeding seventy-five thousand dollars a year, or for a semi-weekly service at a maximum compensation not exceeding one hundred and twenty-five thousand dollars a year.

Sixth. From each of two ports of the United States on the Gulf of Mexico and from New Orleans to Central America and to the port of Cristobal, on the Isthmus of Panama, on steamships of the United States of not less than twelve knots speed, for a weekly service at a maximum compensation not exceeding seventy-five thousand dollars a year.

Seventh. From a port of the United States on the Gulf of Mexico to Mexico, on steamships of the United States of not less than twelve knots speed, for a weekly service at a maximum compensation not exceeding fifty thousand dollars a year.

Eighth. From a port of the Pacific coast of the United States via Hawaii to Japan, China, and the Philippines, on steamships of the United States of not less than sixteen knots speed, for a monthly service at a maximum compensation not exceeding three hundred thousand dollars a year, or for a fortnightly service at a maximum compensation not exceeding six hundred thousand dollars a year.

Ninth. From each of two ports, namely, Puget Sound and the Columbia River of the north Pacific coast of the United States to Japan, China, and the Philippines, on steamships of the United States of not less than thirteen knots speed, for a monthly service at a maximum compensation not exceeding two hundred and ten thousand dollars a year, or for a fortnightly service at a maximum compensation not exceeding four hundred and twenty thousand dollars a year.

^a Nor shall the period of the contract in such case be less than one year or more than three years.

Tenth. From a port of the Pacific coast of the United States via Hawaii and the Samoan Islands to Australasia, on steamships of the United States of not less than sixteen knots speed, for a service once in three weeks at a maximum compensation not exceeding two hundred and seventeen thousand dollars a year in addition to the compensation now provided pursuant to contract under the act of March third, eighteen hundred and ninety-one, entitled "An act to provide for ocean mail service between the United States and foreign ports, and to promote commerce."

Eleventh. From a port of the Pacific coast of the United States to Mexico, Central America, and Port La Boca on the Isthmus of Panama, on steamships of the United States of not less than twelve knots speed, for a fortnightly service at a maximum compensation not exceeding one hundred and twenty thousand dollars a year: *Provided*, That the requirements of this section as to the rates of speed shall be deemed to be complied with if said rates are developed during a trial of four hours' continuous steaming at sea in ordinary weather in water of sufficient depth to make the test a fair and just one, and if the vessels are maintained in a condition to develop such speed at any time while at sea in ordinary weather. *Provided*, That the requirements of this section as to the rates of speed shall be deemed to be complied with if during a trial of four hours' continuous steaming at sea in ordinary weather in water of sufficient depth to make the test a fair one, a rate of speed at least twenty per cent greater than the prescribed rate shall be developed to the satisfaction of the Postmaster-General, and if the owner of such vessel shall establish to the satisfaction of the Postmaster-General that said vessel has been maintained in a condition to develop, and that she has actually developed and shall maintain the prescribed rate of speed at sea in ordinary weather. If such vessel shall fail to maintain such prescribed rate of speed at sea in ordinary weather, the contract may be terminated at the discretion of the Postmaster-General. This trial shall be made under the direction and supervision of a board of naval officers which the Secretary of the Navy shall appoint upon the application of the owner or owners of the vessel to be tested.

SEC. 7. That all contracts hereafter made pursuant to the act of March third, eighteen hundred and ninety-one, before mentioned, or pursuant to sections five and six of this act shall provide that on each voyage the following proportion of the crew shall be enrolled in the Naval Reserve: After July first, nineteen hundred and eight, one-eighth; after July first, nineteen hundred and twelve, one-sixth; and after July first, nineteen hundred and seventeen, one-fourth: *Provided*, That if the foregoing stated proportions of naval reserves can not be obtained at a foreign port with reasonable effort, as certified by the consul, other persons may be substituted until the first return of said vessel to the United States, without forfeiture of the compensation.

SEC. 8. That on proof to the satisfaction of the Commissioner of Navigation that a vessel of the United States has on any foreign voyage carried a boy or boys, a citizen or citizens of the United States, under twenty-one years of age, suitably trained during that voyage in seamanship or engineering, in the proportion of one for such vessel, and in addition one for each one thousand tons of her net registered tonnage, there shall be paid to the owner or owners of the vessel, out of any money in the Treasury not otherwise appropriated, an allowance equivalent to eighty per centum of the tonnage duties paid in respect of the entry in the United States of that vessel from that voyage: *Provided*, That such payment shall not be made after July first, nineteen hundred and eight, except in respect of any boy who is enrolled as seaman, third class, in the Naval Reserve, or is an apprentice indentured in accordance with law.

SEC. 9. That this act shall take effect on July first, nineteen hundred and six.

SEC. 10. That Congress reserves the right to alter, amend, or repeal this act, in whole or in part, whenever in its judgment the public interest shall so require, without, however, impairing in any wise the obligation of any specific contract then in force which shall have been entered into under the provisions of sections two, three, five, and six of this act.

SEC. 11. The intention of this act being, among other things, the promotion and encouragement of the shipbuilding industry in the United States, it is expressly provided that no foreign tonnage that may^a be admitted to registry in the United States shall become entitled to or receive any subvention, subsidy, bounty, or other advantage provided by this act.

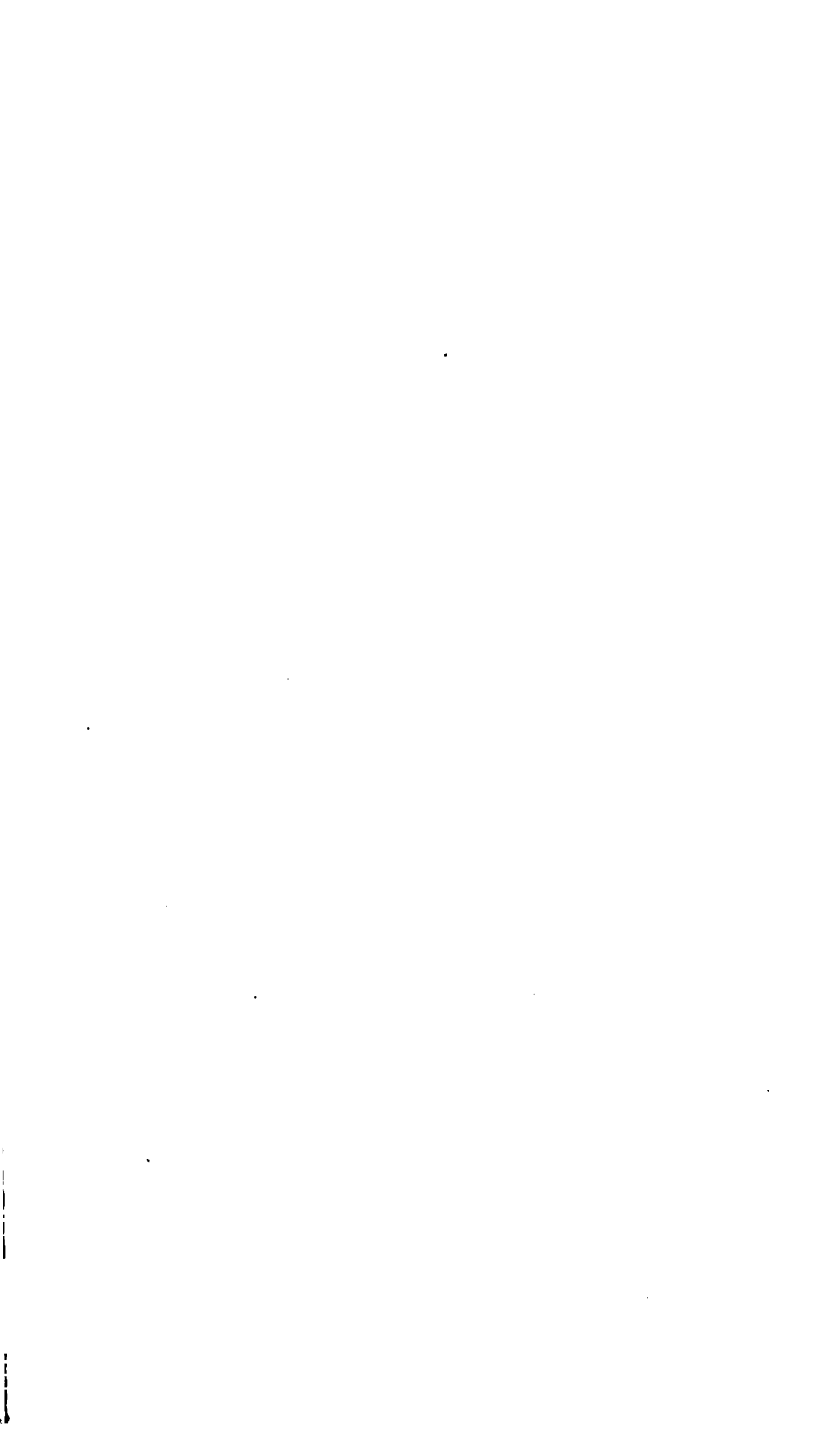
^a After the date of the passage of this act.

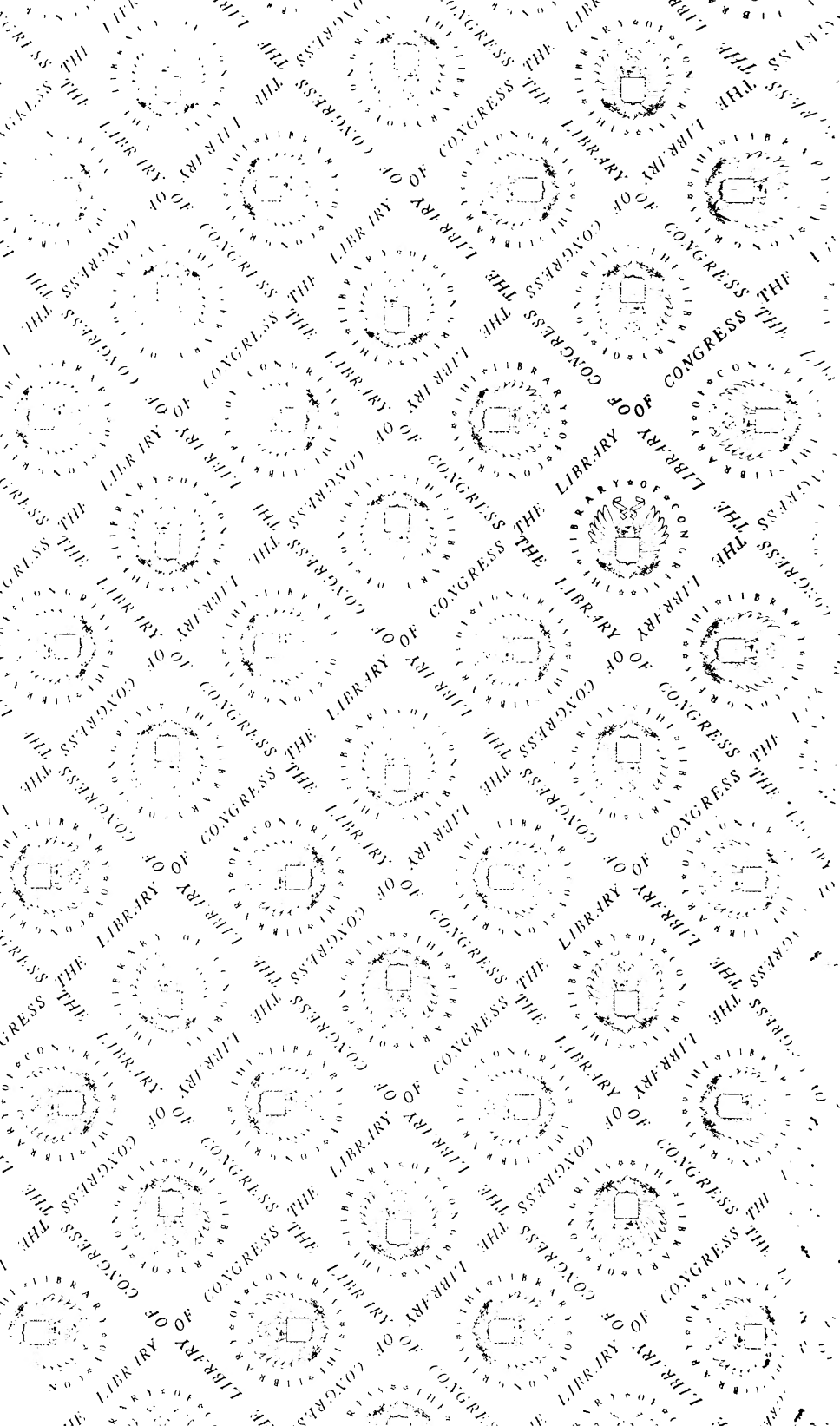
80-117

2134

g'06

16







LIBRARY OF CONGRESS



0 018 693 527 5